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spur self-reliance and curtail dependency in the twenty-first century

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Volume 8, Number 1

January/February 1997

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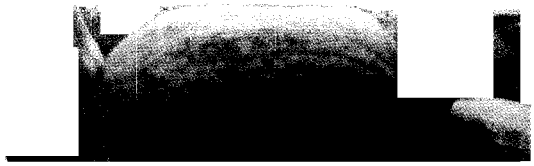

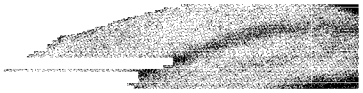

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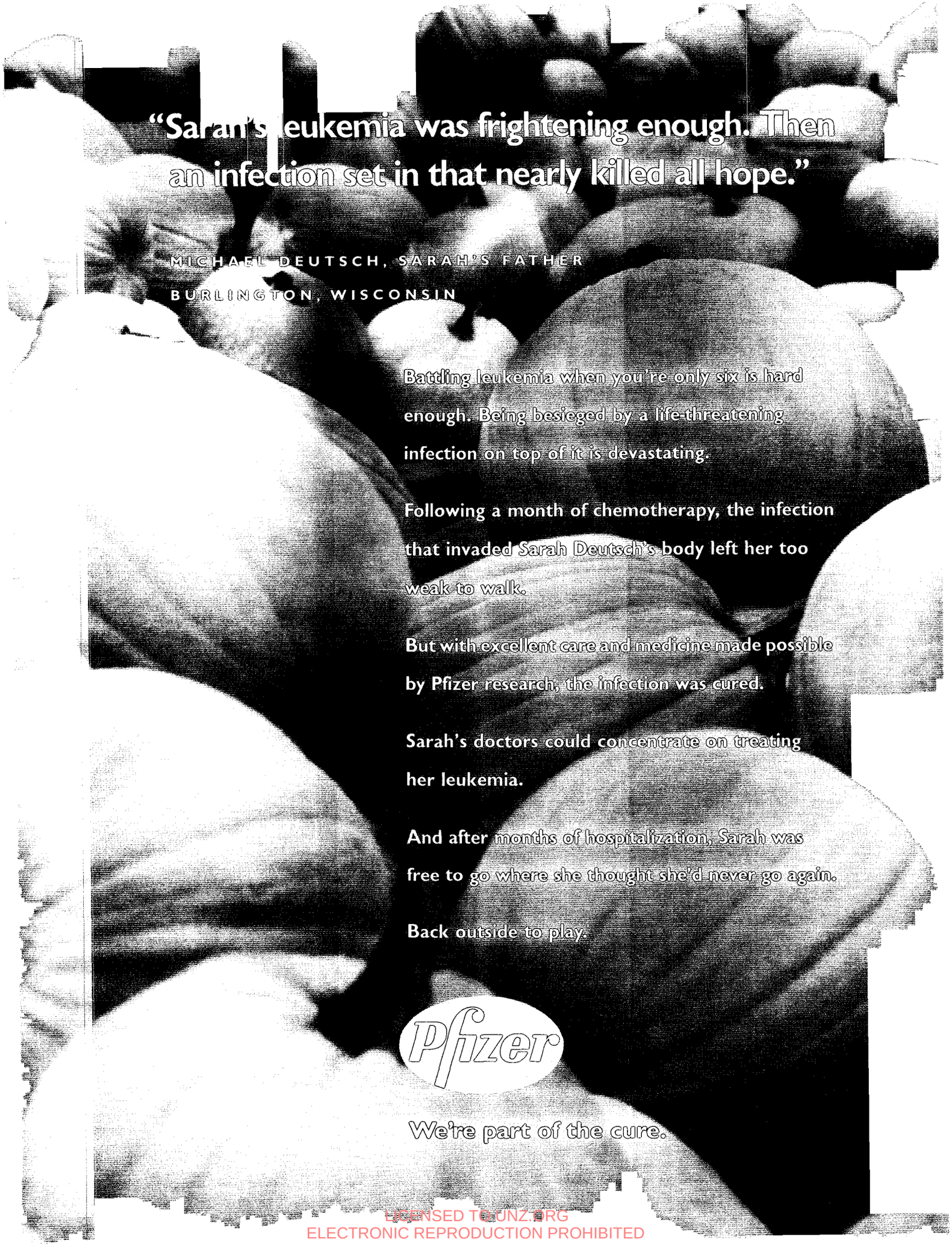

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THE AMERICAN ENTERPRISE

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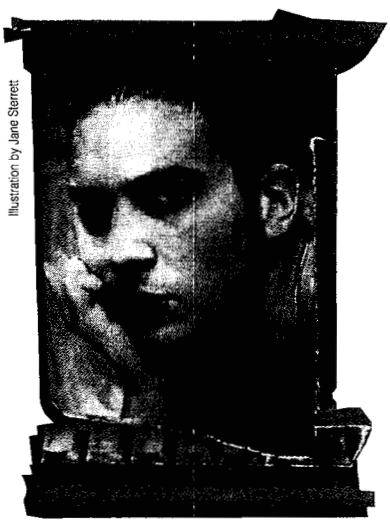

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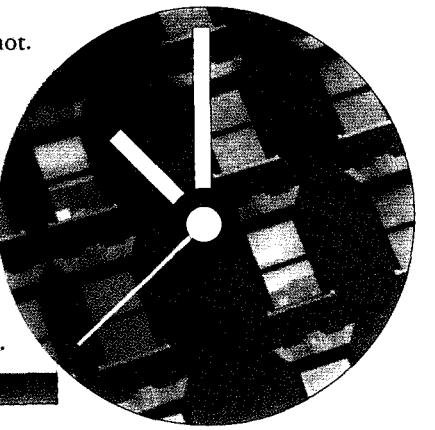

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Bird's Eye

KARL ZINSMEISTER

Headless Conservatism Attacks Bottomless Problems

(...even the Social Security mess)

I recently had a chance to spend several days in the company of Margaret Thatcher for the first time. And as I returned to the U.S. in the final month of the '96 election it could not have been clearer that American conservatism currently lacks a Thatcher-quality leader. No one at the front of today's U.S. conservative parade can offer the combination of intellectual power, popular wisdom, and personal strength and discipline that the good lady Thatcher still exudes powerfully.

Bob Dole and Jack Kemp outdid each other when it came to disappointing their party this year. While the runners-up in the Republican presidential primary would all make fine Senators, they seem uniformly dwarfish when appraised as grand helmsmen of the Right. And the prospects now offering themselves as possible presidential candidates in the year 2000—Dan Quayle, Kemp, Christine Whitman, Lamar Alexander—are either re-treads or lacking in broad appeal.

It took Newt Gingrich barely twelve months to damage himself, probably permanently, as a conservative field marshal. Senate leader Trent Lott is an unproven commodity. There is much ballyhoo about the 32 Republican governors, but none has yet presented any vision or practical record that elevates him- or herself above the pack.

The result of all this is that many conservatives are now deeply frustrated to find that their movement—though burgeoning at the grassroots as never before in this century—is essentially leaderless at the top. To those blue souls I'd like to offer a suggestion: This probably matters less than you think.

The fact that American conservatism currently lacks any king, or even crown prince, need not be a big problem. Indeed, it may even be a good thing in several ways. Kings like Thatcher and Reagan tend to lead by sheer force of personality. They first represent their movements, and then often *embody* them. The problem is that eventually the strong leader retires, or stumbles, at which point the cause sputters.

Once they become accustomed to taking direction from a powerful center, a movement's rank-and-file generate fewer truly new ideas. Energy and enthusiasm slack off. A fat and happy manager's mentality takes over. All this happened to conservatism in Ronald Reagan's second term. And when things slow to a shuffle in this way it can take a good while to get a movement's constituent parts and sub-organs pumping vigorously again.

I suspect American conservatives will always find it tricky to navigate the periods when they are actually running government behind a strong leader. After all, the new type of conservatism that has taken root over the last generation is decentralist, populist, and built on the idea that political life is inferior to everyday life as it is carried out in local businesses, homes, churches, and private associations. Today's conservatives believe that families and individuals are competent to run their own lives, that markets will flexibly adjust to fill gaps and regulate themselves, that traditional institutions and uncushioned personal experience can moderate most social problems, that free societies don't have to be heavily organized through political action because they are mostly *self*-organizing. Almost by definition, this

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kind of bottom-up conservatism will be weakened by a period of control from an imperial center.

This is not to say conservatism doesn't need leaders; only that it doesn't necessarily need a supreme leader. American conservatism has leaders today in quantities and qualities never dreamed of in times past. The Congress is now led by intelligent, brave, high-minded conservatives. A healthy sprinkling of impressive conservative journalists can be found on the nation's editorial pages and television screens—and judged by their followings they tend to be the country's most popular commentators. The flood of first-class conservative magazines is now almost embarrassing. (Take it from someone who must fight every day to be heard in this robust crowd.) I can't even count the number of conservative think tanks percolating across the country these days. And after generations of invisibility, conservatives are defending prominent footholds on college campuses, in departments of all sorts. The last dozen Nobel Prize ceremonies in economics have been a banquet for conservatives.

Meanwhile, conservative talkers have completely rejuvenated AM radio, and the result is that citizens can now tune in cultural, political, and economic analysis from the Right in any city in the country. Conservative Christians are behind several of the highest rated new television shows (like "Touched by an Angel" and "Home Improvement") and some of our most popular movies (like *Braveheart*). Many of the best thinkers in the technology industries today are friendly to political conservatism. It's taken for granted that several of the books on the bestseller lists at any given moment will be openly conservative works by people like Bill Bennett, Laura Schlessinger, Robert Bork, Dinesh D'Souza, and Tom Wolfe. Conservative churches are completely eclipsing liberal denominations and congregations. There are now prominent conservative poets, painters, PBS commentators, even ballet critics for crying out loud. If American conservatism is leaderless, who's doing all of this thinking and acting and producing and organizing and winning?

There is nothing about the kind of culture-capturing activity I've just described that requires a Ronald Reagan or Margaret Thatcher to mastermind it. Indeed, these kinds of activities will often proceed faster and root more deeply when they happen organically, initiated from mid-ship rather than directed from above. Exactly why this is the case can be explained by American conservative principles themselves—the cumulative superiority of the little platoons, the individual decision, the local solution over the master-planned and master-controlled alternative.

Exhibit I: The Reinvention of Social Security

The important cover subject of this issue of *The American Enterprise* is a perfect example of the hidden vitality of America's conservative movement even in its current leaderless, somewhat fractured state. Our topic, explored in depth in our feature section, is the conversion of Social Security into a system of personal retirement accounts—a subject just about to explode into prominence as a national political issue.

THE FACT THAT AMERICAN CONSERVATISM CURRENTLY LACKS ANY KING, OR EVEN CROWN PRINCE, MAY EVEN BE A GOOD THING.

As you think about this question, I encourage you to look beyond the narrow details. For this is not some technical matter of economic and actuarial balances. This is a topic of vast practical and philosophical importance to everyday Americans.

Converting Social Security to a system of private accounts would have huge effects on individual prosperity, on the health of our nation, and on the nature of our government. Our current Social Security program was the crown jewel of 1930s "progressivism." It is, in fact, one of the few bits of the New Deal that hasn't long since been discarded. We have no national WPA providing government jobs today. Our farm subsidies, modeled by New Dealer Henry Wallace on Soviet central planning, have finally been ditched. The days of our nationalized electric utilities are numbered. Even the progressive income tax (which preceded the New Deal but grew from the same root) threatens to be replaced by flat taxing.

New Deal institutions are now *old deal* institutions, long since expired, or decrepit and begging to be put out to pasture. The great holdout is Social Security. About half of all federal domestic spending—more than $600 billion—will flow through the Social Security Administration this year. That's about twice the annual total spent by our country to defend itself. More than one out of every four American families was receiving payments from Social Security as of 1992. By comparison, only four percent of all families got AFDC, the program most people think of as government "welfare." As several articles in this issue make clear, Social Security has done more than anything else this century to sell average Americans on the idea that it's normal to live off the mailbox economy of government checks.

Few people realize how close this country came, back in the 1930s, to having a totally different, much healthier, system of government-stipulated but privately managed retirement pensions. The fact that we instead have a government-operated chain-letter scheme as our main support for retirees can be attributed to the cynical genius of the New Deal planners. They wanted a state-run solution, yet realized that Americans would never support an income redistribution system as massive as Social Security if it could be recognized as a welfare program. So the organizers sold Social Security as an "insurance plan," suggesting workers would merely get back what they put into the system. This, as James Payne points out on pages 41-44, was a completely dishonest depiction, but it has nonetheless stuck in the public mind. In this way, the New Dealers got the American middle class thoroughly hooked on promises of free-lunch government, to the point where it is now going to be hard to escape our entitlement spiral before it reaches its end in a fiery crash.

But escape we must, for Social Security's seemingly magical ability to produce goodies for four decades, without apparent cost, was a function solely of the system's immaturity and the luck of having a

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baby boom come along at the right time. Eventually, demographics and basic economics catch up with any scheme that, like Social Security, gives bigger and bigger portions of the population fatter and fatter checks, without relation to what each beneficiary has put into the system himself. That moment of truth is now in sight, as you'll see later in this magazine, and it will not be sidestepped through fancy political footwork and fine tuning of cost-of-living-adjustments or tax rates. Though the message hasn't entirely sunk in across America, it will: Social Security is broken, and needs radical repair.

Fortunately, we are not lacking today for creative ideas as to how we might escape this trap. And this is where I return to the subject of today's leaderless conservative movement. For the fact is, a veritable spring bloom of intellectual entrepreneurship on this subject is now taking place on the Right. By one count, there are currently 30 separate research projects exploring how to fix Social Security without either tanking the U.S. economy or harming dependent older Americans. Most of these efforts are either based in conservative think tanks, manned by conservative intellectuals, or funded by conservative foundations. The articles we present on pages 41 to 63 distill some of the best thinking now emerging on how to proceed. The plans are bold and imaginative, and have the potential not only to solve Social Security's pressing financial problems but also to bring enormous economic and social benefits to our nation as a bonus.

Privatizing Social Security would be a massive blow against statism, bureaucracy, and the entitlement mentality. It would shift a huge hunk of national output from the government treasury into private investment. It would make America into a nation of widely distributed wealth, with even low-wage workers ending up with big investment holdings. It would depoliticize vital sectors of life, for both the elderly and the employed. And it would redefine, in a stroke, the relationship between individuals and their government. Instead of bureaucrats taking care of the basic needs of citizens, the model would be for government to help individuals take care of their own basic needs. This shift toward personal choice and assisted self-reliance would essentially mark the end of the New Deal and its 1930s-thinking—and the beginning of something much more exciting and in tune with our age.

But at the same time, privatization is no risky, pie-in-the-sky idea. Thanks to new technology and the incredible democratization of stock investing over the last two decades (the number of individual mutual fund accounts has increased from 12 million in 1980 to about 150 million today) it is now quite practical to talk about every working American having control of his own retirement nest egg. Privatization is also becoming politically sellable, as a new national mood and some stark budget realities are taking the electricity out of what was once called the high-voltage "third rail" of politics (as in "any elected official who touches Social Security will die"). Congress has just phased out farm subsidies and welfare entitlements that were considered sacrosanct until very recently. And despite ferocious attempts to punish them for trying to trim Medicare, House Republicans actually won a majority of the ballots of voters age 60 and over (while Bob Dole ran better among retirees than among any other age group). Clearly, the old definitions of what is "politically impossible" are being re-written in the 1990s.

Americans are mature enough to understand that big changes are now needed in entitlements. One can expect a fierce, dirty fight from reactionary defenders of our current redistribution scheme. But only the most unimaginative apologists for business-as-usual could fail to see that once Americans realize they can control their own retirement destinies, getting more for less (thanks to private markets), while vulnerable old people are at the same time protected from turmoil, there will be enormous public interest in this idea.

In any case, underlying demographic trends (a shift from today's 3.2 taxpaying workers per retiree to 1.8) are making privatization inevitable in the long run. The only alternatives to privatization, even Social Security actuaries now admit, are things like increasing payroll tax rates into the range of 25 percent, and/or cutting the average retiree's benefits by several thousand dollars a year (both of which would give Baby Boomers an even worse deal on their Social Security payments than the negative returns they're already headed for). Any politician who thinks converting Social Security to personal accounts will be a hard sell ought to think about trying to push through those alternatives. The politically *unrealistic* choice for Social Security is now the status quo.

CONVERTING SOCIAL SECURITY TO A SYSTEM OF PRIVATE ACCOUNTS WOULD HAVE HUGE EFFECTS ON INDIVIDUAL PROSPERITY, ON THE HEALTH OF OUR NATION, AND ON THE NATURE OF OUR GOVERNMENT.

I fully expect that by the early years of the twenty-first century, America will have a dramatically transformed system for ensuring the comfort and safety of older citizens, and that the final plan will adhere to the general outlines sketched out in this issue. If so, there will be enormous benefits to your children and mine.

And all of this will be thanks to pioneering work by conservative intellectuals—like Milton Friedman, Martin Feldstein, Carolyn Weaver, and José Piñera—plus bold political leadership by conservatives in Congress. (No plan to moderate Social Security or otherwise rein in runaway government entitlement spending will ever be initiated by the liberal establishment.) For a supposedly "leaderless" movement, that's a pretty good decade's work.

So as you read the sobering review of the 1996 election by Harvey Mansfield in this issue of *The American Enterprise*, and mull the calls for drastic political reform (serious and not-so-serious) on pages 32-36, and otherwise reflect on today's sometimes-dispiriting political scene, don't let short-term indicators lead you to believe that American conservatism is in decline. Yes, it is currently a movement without a head. But it is vigorously alive.

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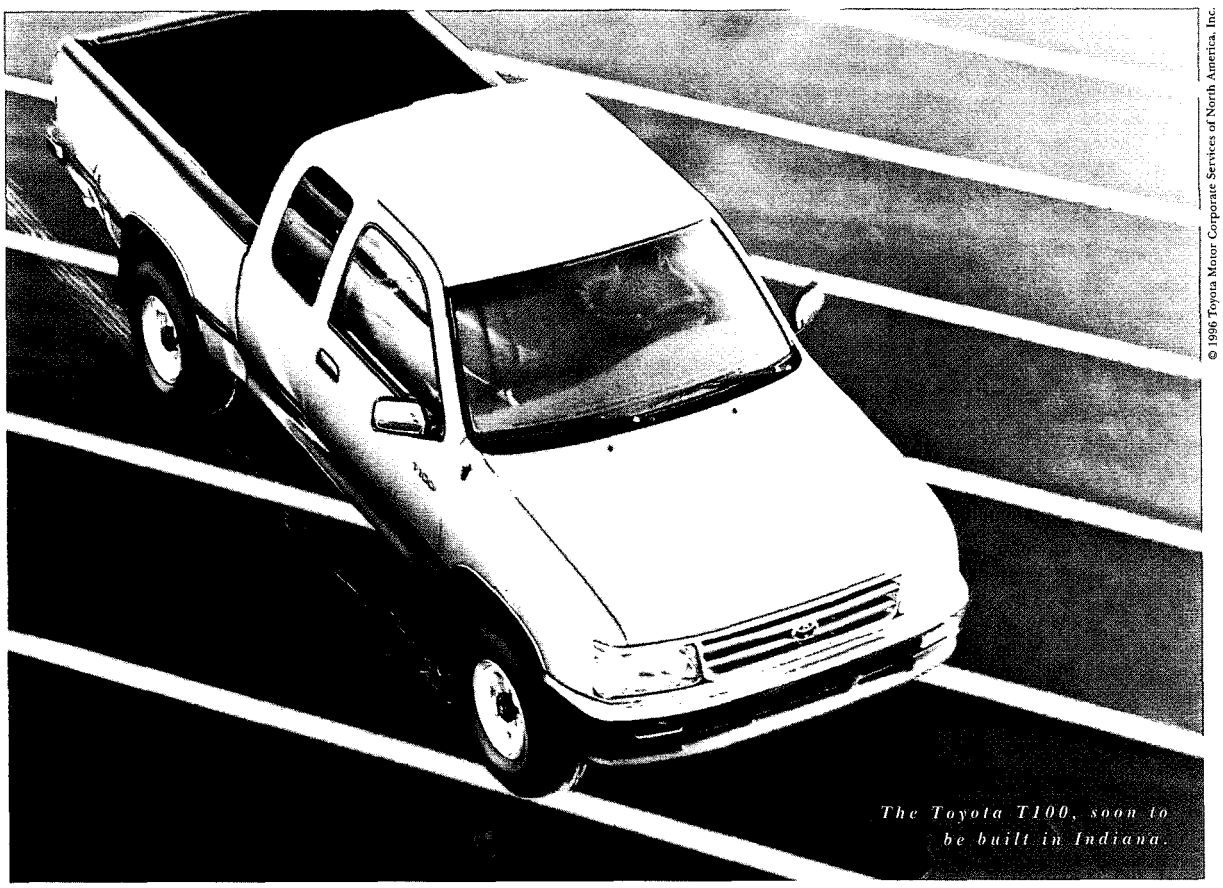

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Sidelights

Holiday madness for yuppies: An entire catalogue devoted to "The Art of the Paperweight" (prices to $19,500, with "designer paperweight clothing" and paperweight jewelry available). Meanwhile, the Alaskan Seafood catalogue offers "Halibut Cheeks," the "tenderest portion of the fish." ❧ Retaliating in the tobacco wars, one angry farmer remarked, "There are probably fewer drug users among all tobacco growers than there are on the White House staff." · · · Before **Clinton** became President, the odds a teenager would use drugs were one in 20; today, one in 9, reports economist **Ralph Reiland**. ❧ Sen. **John Ashcroft** (R-Mo.) suggests workers be allowed to deduct from their taxable income the Social Security "contribution" taken from their paychecks: "We are double-taxed on money we never see." · · · Sen. **Bob Kerrey** (D-Neb.) says that without entitlement reform, we will have "converted the federal government into an ATM machine." ❧ The National Rifle Association was involved in 10,000 federal, state, and local elections in '94 and '96, with a success rate of 82 percent and 84 percent, respectively, brags the NRA's **Tanya Metaksa**. ❧ *The New Republic*'s **Andrew Sullivan** warned just before the election that the President manipulates "the most profound moral issues" for his own political interest; anyone who knows this and still votes for him is "engaging in exactly the kind of moral nihilism [he] has perfected." ❧ *Tasty Bits from the Electronic Front,* an on-line newsletter, found almost 64,000 World Wide Web sites devoted to religion, compared to under 12,000 "adult" sites. · · · IBM, AT&T, and Apple Computer employees used company machines to visit the *Penthouse* web site nearly 13,000 times in one month. ❧ "Clinton talked much more about values than **Bob Dole** did," says Republican National Chairman **Haley Barbour**, citing a post-election poll that showed this values gap was mainly responsible for the gender gap. · · · Republican activist **Michael Farris** says he asked Dole supporters in the primaries: "I support Dole because he believes in _____"? but "no one ever answered my question." · · · **Florence King** can't take it anymore; the professional misanthrope has officially left the GOP, complaining it's "all mouth and no gonads." · · · In 1994, only 13 percent of taxpayers checked "yes" on their Form 1040 to contribute $3 to the presidential campaign fund—less than half the number who donated in '76. "This is as close to a national referendum against public [campaign] financing as we are likely to get," writes economist **Bruce Bartlett**.

A reporter visiting a Washington, D.C. high school was beaten by masked attackers who shouted, "Get your white a-- out of our school!" · · · Many Hawaiians want the Census Bureau to classify island natives as "American Indian," not "Asian/Pacific Islander," because they hope to set up gambling casinos under special laws for Indians. ❧ Ten Social Security Administration employees have been arrested for providing confidential information to credit-card thieves. ❧ "You don't have to be a wistful conservative to wonder why it was that previous generations were willing to give up their lives for their country while today few will give up their seat on a bus to a pregnant woman," writes *Women's Quarterly* editor **Danielle Crittenden**. · · · A Navy sailor secretly gave birth in her berth on the *USS Simon Lake;* the child died as its mother tried to smuggle it off the ship. She reportedly told investigators she had hidden her pregnancy because the father was not her boyfriend. · · · A Californian sued his wife for feigning sexual attraction to him for 13 years. He was awarded $242,000, or $51 a night. · · · Famed for emasculating her husband, **Lorena Bobbitt** was invited to Ecuador as part of a women's rights mission. President **Bucaram** exulted, "You are a person who knows how to defend her principles and values." ❧ Job-training centers in Mississippi, Maryland, and elsewhere report steep increases in enrollment since welfare reform passed. ❧ Police in Sydney are actively recruiting more homosexual officers to avoid becoming "insular." A New South Wales Police Service "homosexual-client consultant" added that homosexual police "are more sensitive to people's needs and less judgmental." · · · Homosexuals are more likely to be victims of domestic violence than anti-homosexual violence, the *San Francisco Examiner* reports. ❧ Navy chaplains who had planned an event with the Christian group Promise Keepers were overruled after the Anti-Defamation League, a liberal Jewish organization, protested. Rabbi **Daniel Lapin** of Toward Tradition criticized the ADL for "anti-Christian bigotry." ❧ The president of the international bricklayers' union said Clinton lost his vote by vetoing the ban on partial-birth abortions. · · · "We should bring the partial-birth abortion ban up for another vote in the 105th Congress," says former presidential candidate **Steve Forbes**, adding, "under no circumstances should we give up. We are winning the debate." · · · Senate Democratic Minority Leader **Tom Daschle** announced he would work for a compromise bill to ban partial-birth abortions.

Just after the election, Americans told Survey USA they prefer across-the-board tax cuts to "targeted" tax cuts by 66 to 28 percent, but they also thought any tax cuts unlikely. ❧ The Bordeaux Wine Council, eager to boost sales to French youths, urges claret as the proper accompaniment to french fries, boiled eggs, and pizza. · · · Gordon's Gin is running British magazine ads with a fragrance strip that wafts gin-and-tonic *odeur.*

—*SW*

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SCAN

GOOD OLD GOVERNMENT-RUN SCHOOLS

In October, New York State passed a law requiring that all children in the state's public schools must be taught that the Irish potato famine was a human rights violation equivalent to genocide and slavery. The bill was sponsored by two politicians with large Irish constituencies, supported by the legislature's Black and Puerto Rican Caucus (which never met a victim statement it didn't like), and signed by Republican Governor George Pataki. But the requirement made even many politically correct historians gag, as *New York Post* columnist Evan Gahr points out: "Columbia University history professor Eric Foner, a steadfast leftist, has criticized the law, saying 'This business of each group getting its own victimization written into legislation is a very bizarre way of studying history.'" (Gahr adds, however, that "given that Foner has long sided with folks who favor ethnic balkanization, his complaint seems a bit like the pot calling the kettle an appliance of color.")

This escapade is part of a much larger problem of political interference in education. The extent of the foolishness can be seen in a recent dispatch entitled "State Mandates Have Educators Squeezing Time for the Three *R*s," written by Richard Whitmire of the Gannett News Service:

"Long Island principal Allan Vann says publicly what hundreds of other principals only mutter in private: My state education officials are driving me crazy. With politicians piling on fresh mandates on what students should be taught, Vann and other principals fight an uphill battle to keep classroom time free for reading, writing, and arithmetic....

"Recently, Vann had to leave his school for a day to attend a seminar about new requirements to teach each pupil about eluding abduction by strangers.... In February, New York school principals got a memo saying all students must receive weekly—yes, weekly—instruction on the humane treatment of animals and the 'necessity to control proliferation.' Here's a quote from the memo: 'As educators we must also address the importance of the role animals play in the economy of nature.'...

"'These pressures keep squeezing classroom time,' says Fred Brown, principal of Boyertown Elementary in Pennsylvania and a former president of the National Association of Elementary School Principals. 'People get elected and they have their pet projects,' Brown said. 'They say schools should do this and this in addition to the three *R*s and computers.... We're running out of time in school.'

"...To protect classroom time for teaching the basics, principals must play a sleight-of-hand game. Vann, for example, dutifully tells his teachers about the requirements to offer weekly instruction on how animals fit into 'the economy of nature.' And do the teachers obey? 'Just don't ask me how closely we monitor this,' Vann said.... What about making sure the Irish potato famine gets squeezed into the curriculum? Vann pauses, chuckles, and answers, 'No comment.'"

A report from a local New York state newspaper gives a further example of the absurd mandates public schools now operate under:

"'Thousands of principals [are] sitting at their desks sobbing,' said Lansing Central School District Superintendent Andrea Price. For the past few days, Price said, every teacher, principal, and superintendent in every district [in New York State] has been struggling with BEDS reports.

"'That's the state's Basic Educational Data System,' she explained. Here's a sample question: 'Enter the number of audiovisual resources, including computer software, under the administration of the library as of June 30, 1996. Audiovisual resources include filmstrips, films, microfilms, sound recordings, slides, transparencies, video tapes, maps, charts, globes, pictorial works, including pictures and picture sets and any other audiovisual materials of a similar nature. Materials are often purchased as a unit, sometimes referred to as a kit, and include combinations of audiovisual and/or book items. Kits or sets with several components should be counted as one unit.'

"'My question is, What do they want with this information? Who cares?' Price asked with a note of hysterical desperation in her voice. 'We don't exactly have these numbers handy in the second drawer from the left.... They are driving us absolutely crazy.'"

CORNERING THE LUNKHEAD VOTE

Richard Morin of the *Washington Post* reports that voters were recently asked to identify the positions of Bill Clinton and Robert Dole on specific topics like defense spending, affirmative action, school vouchers, and nine other campaign issues. They found reports that "among those who accurately knew the candidates' positions, Dole beat Clinton by 47 percent to 42 percent. But Clinton trounced Dole, 53 percent to 33 percent, among voters who were the most misinformed about the two candidates' positions—a veritable lunkhead landslide."

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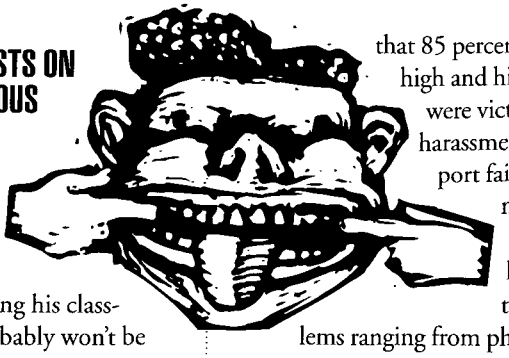
GOVERNMENT FEMINISTS ON THE TRAIL OF DANGEROUS THREE-FOOT-TALL "HARASSERS"



The six-year-old recently suspended from public school for "sexual harassment"—after kissing his classmate on the cheek—probably won't be the last member of the Romper Room set branded as a predator. For this case involves more than just overzealous local school officials.

For some time now, feminists have railed against supposedly rampant sexual harassment at the elementary and high school levels. "Hostile hallways" is the catch-phrase for their crusade. And the Department of Education has taken up the role of hall monitor. Over the last few years, the Department's Office of Civil Rights in Washington has used everything from bathroom graffiti to same-sex teasing to find that public school districts permitted a sexually "hostile environment."

Squeezed between feminists, the Education Department, and lawyers trolling for victims, school authorities have, not surprisingly, become quick to brand every young smoocher a veritable sexual predator. "No matter what you do you lose," says Gwendolyn Gregory, deputy counsel for the National School Boards Association.

Just ask the Nashoba Regional School District in Massachusetts. When some girls there wrote sexually explicit graffiti about other girls on a bathroom wall, they were punished. But not to the Education Department's satisfaction. The School District was faulted for having used general disciplinary measures, rather than special sexual harassment guidelines. Equally curious was the Office of Civil Rights's decision that the Eden Prairie School District in Minnesota had permitted a sexually "hostile environment" even though it had reprimanded a bunch of third-grade special education students who teased first-grade girls on a bus.

The U.S. Department of Education's Office of Civil Rights, headed by Norma Cantu, now brings legal firepower to this cause that has been a favorite of feminists for several years. A 1993 American Association of University Women report claimed that 85 percent of junior high and high school girls were victims of "sexual harassment." The report failed to make meaningful distinctions, however, between problems ranging from physical groping to teenage sexual banter. Some studies on this subject even count unwanted looks as a form of sexual harassment.

Ironically, the people who complain that schools are plagued with sexual harassment are the same ones who have given hormone-crazed teens free rein—through explicit sex education, condom distribution programs, and the like—to explore their libidos. Adolescent girls are presumed mature enough for sexual counseling and abortions, yet deemed helpless innocents and utterly fragile the moment a boy utters a flirtatious or loutish remark. Talk about mixed messages!

It's also curious that the same liberals who have repeatedly denied educators the power to discipline students are suddenly now demanding that every teenage wooer be kept in check. Under current laws, it is exceedingly difficult for schools to suspend disruptive students if they fall under the remarkably broad definition of "learning disabled." Even frisking kids for weapons often fails legal muster, thanks to liberal lawsuits demanding individual privacy and freedom. Earlier this year, a New York State appellate court ruled that a high school student was wrongly suspended for packing a pistol. He was, the court determined, caught with the weapon in a search made without probable cause.

So weapons and drugs must be tolerated. But schools can't do enough to nab serial kissers!

You can expect more schoolyard witchhunts for gradeschool sexual harassers—thanks to an organized campaign by feminists that is backed by the official actions of your U.S. Department of Education. The chicks have come home to roost.

—Evan Gahr is a columnist for the New York Post.

PAYING TWICE FOR EDUCATION

Cathy cleans houses four days a week. And she pays twice for Pittsburgh's schools. Once with her taxes to the Board of Public Education, and once in tuition to send her daughter Ann to the local Catholic high school. "On top of my school taxes, that's $4,500 in tuition a year," Cathy says. "That's a lot of toilets."

Her daughter also attended Resurrection parochial school through eighth grade. "The tuition her last year was $1,400," Cathy recalls. "I worked in the school's cafeteria to pay it."

"It's not very sexy to go to bed with gloves on," she says, referring to her red and cracked hands. "The salve costs $17 a tube." Her husband Frank, a maintenance worker, says, "Some nights I'm glad when I get called in for overtime."

"We didn't do anything to save mankind or the environment. We wasted the whole day on reading and math."

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She's in pain with those hands."

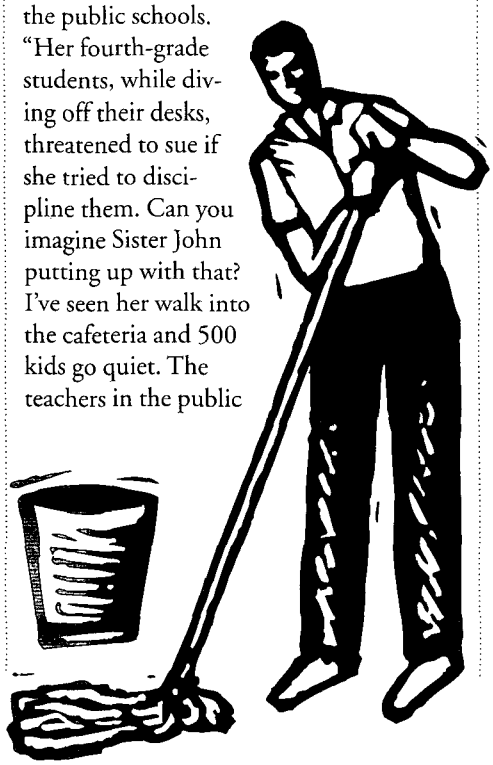
Cathy's son Joe attended the same Catholic schools. He's now at the University of Pittsburgh, working two part-time jobs to help pay for tuition. "Altogether, with Joe and Ann," Cathy calculates, "I paid over $30,000 in school tuition, before college." This year, her school taxes are nearly $1,000.

There's no discipline in the public schools, Cathy says, but "at Seton-La Salle, the kids get detention if their shirt isn't tucked in right. I see the police reports. There's a lot that goes on in the public schools that no one hears about. Kids can't learn when they're scared. They graduate and can't even read and write."

It's the same story during a busy lunch at a Bloomfield restaurant. Mary, the waitress, is paying twice for Pittsburgh's schools. Her taxes go to the public schools and her kids and tips go to Immaculate Conception. Ted, Mary's husband, works overtime to help pay the tab. "He's a meat cutter, working seven days a week," she say. "Physically, he can't do any more."

If not for Immaculate Conception, Mary's children would be at a public school where "a public school teacher told me I shouldn't send my kids." But "you don't need a metal detector at Immaculate Conception," Mary explains. "Sister John just stands at the front door."

Mary has a good friend who works in the public schools. "Her fourth-grade students, while diving off their desks, threatened to sue if she tried to discipline them. Can you imagine Sister John putting up with that? I've seen her walk into the cafeteria and 500 kids go quiet. The teachers in the public schools have been muzzled."



Frank Gigliotti is Cathy's state representative in Harrisburg. "School choice is very important," he says. "If the tuition voucher system is passed, it will give a family $1,000 a year per student to attend a private or parochial school, and it will help keep those schools in existence. Resurrection closed last year."

It's a different picture in Democratic Whip Ivan Itkin's office. His press secretary, Diane McCormick, explains to me that "Vouchers are just too self-selective in the use of state funds. You're not spending to help the entire public education system with vouchers."

Pat Crawford, director of public affairs for the Pittsburgh Board of Education, makes a similar argument. "We absolutely oppose vouchers. We're unalterably opposed because they would siphon away public money to non-public schools and that's the end of the discussion."

"It's *my* money, not 'public money,'" answers Cathy when informed of this, "and Seton-La Salle performs a very public function."

*—**Ralph R. Reiland** is associate professor of economics at Robert Morris College in Pittsburgh.*

WILL THE MEDIA TURN ON CLINTON?

Washington eyebrows rose when the incoming editor of the liberal* New Republic *savaged Clinton in his first column:

"It is time to speak well of Bill Clinton. He is of course a shocking liar. He will say absolutely anything at all.... He is breathtakingly cynical. This is a man who committed himself to a policy of making abortion 'safe, legal, and rare,' and then vetoed a ban on the near-infanticide called partial-birth abortion—and then accused critics of his action of immorality. A man who signed the Defense of Marriage Act while denouncing it as gay-bashing, then ran campaign commercials on Christian radio bragging that he signed it. A man who signed the Republican bill ending welfare as a federal entitlement, and then asked Democrats to vote him back into office on the grounds that he could fix the wrong he had done. He is an opportunist of such proportions that the only thing that exceeds his reach is his grasp. As Republicans note with theatrical astonishment, 14 of the accomplishments of which Clinton bragged in his acceptance speech at the Democratic convention were actually GOP measures. As he proved in his relentless exploitation of the Medicare issue and of black church fires, he is an occasional demagogue, blithely willing to exploit the rawest fears and the most dangerous divisions in society. He is the fairest of fair-weather friends; Harold Ickes, who was surprised last week to learn through public announcement that he would not be getting the job of Chief of Staff, is only the latest to discover this. He is perhaps the greatest golf cheat in the history of the game."

IRS FROM HELL

Quite apart from its being fairer, simpler, and more efficient, one big part of the flat tax's appeal is the way it makes possible a much smaller and less intrusive IRS. The following extracts from a recent news story by Gannett reporter Perry Brothers illustrate why that might be a good thing:

"An Internal Revenue Service technique commonly called the 'lifestyle audit' is being revived after almost three decades of disuse. Thanks to a re-emphasis on taxpayer compliance, a routine tax audit interview might sound more like a personal chat session: Where did you go on vacation? How much did you spend? Where do your children go to school? Do you have a safe deposit box? Where? What's in it?

"The approach is called a lifestyle or economic reality audit, a financial status initiative, or, in IRS terms, 'in-depth examinations.' ...'The best term I can think of to describe it is the audit from hell,' said John Prather, a certified public accountant.... The American Association of Certified Public Accountants has fought the re-emphasis of the technique since 1994, saying it blurs the lines between

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criminal and civil audits....

"Agents were trained in 1994 and 1995 to ask questions—often personal—not directly related to information necessary for the tax return.... The resurgence in lifestyle questions increases the importance of professional representation. Many accountants advise taxpayers to steer clear of all audit interviews, even the most routine—and let a professional field the questions. 'It's not that you're trying to hide anything,' said Marilyn Economou, a partner with Economou & Flood in West Chester, Ohio. 'You're just trying to minimize the chance of the client saying something that's taken out of context by the auditor, who then takes him on a wild-goose chase."

The professionals that innocent citizens must hire to protect themselves from their government in these tribunals are of course expensive. And very serious preparation time is required of each victim of the lifestyle audit.

This kind of guilty-until-proven-innocent intrusion would end under proposals that have been introduced in the last couple of Congresses (and also included in the economic plan Bob Dole ran on). These reforms would place the burden of proof on the IRS in all tax challenges. Not the taxpayer.

IRS Commissioner Margaret Milner Richardson strongly attacks efforts to shift the burden of proof to the IRS, saying that if it happens, the agency will have to gather more information, demand increased record-keeping, and audit Americans even more aggressively.

LONG-TERM STRUCTURAL SHIFTS WILL SHRINK GOVERNMENT

Some of the accomplishments of the last Congress were immediately visible: Congress cut $200 million from its own budget, and $53 billion Clinton wanted to spend was saved. But the biggest results of the changes made on Capitol Hill in 1995-96 will come only down the road, in structural shifts that will gradually grind down the forces of big government.

First, there will be the after-effects of the Freedom to Farm legislation pushed through by Senator-elect Pat Roberts of Kansas. This ends most federal control over agriculture immediately, in return for a seven-year phase-out of farm subsidies for corn, wheat, barley, cotton, rice, sorghum, and soy beans—the major cash crops. Taxpayers will save tens of billions of dollars. But it will also eventually cost Democrats five or six Senate seats. Before, every farmer was part small businessman and part welfare recipient. Now farm subsidies will ebb to nothing, and a farmer without a farm subsidy is a heavily armed, self-employed businessman—in other words, a Republican. Without farm subsidies to dangle before voters, just what do Tom Harkin, Tom Daschle, and others have in common with their midwestern constituents? Not foreign policy, not crime, not social issues, not taxes. Already the American Farm Bureau Federation, which represents some 3 million farmers, is changing its focus from lobbying for more money to abolishing the inheritance tax and protecting property rights.

The second political sea change is the welfare reform bill that ended welfare as an entitlement and sent most decisions to the states. This will cost the Democrats hundreds of state legislative seats in the years to come. As long as welfare was a federal entitlement, Democratic state legislators didn't have to defend the idea that people who don't work have a claim on the earnings of those who do work. Now, if they want to keep the status quo in place to protect their loyal welfare-dependent supporters, they will have to argue and vote for exactly that. The Democrats have already lost more than 500 state legislative seats since 1992. This will make that worse.

Lastly, 20 states now have term limits on state legislators, which will prod many displaced incumbents into challenging old bulls for seats in the U.S. Congress. This will hasten the replacement of Beltway regulars. Six-year term limits were also imposed on committee chairmen in the U.S. Congress, which will shrink government empires. The chairman of the Agriculture Committee, for example, would normally be expected to defend the status quo, but a term-limited Pat Roberts cheerfully voted to make his committee less powerful in the future by phasing out subsidies. Likewise, Rep. Bill Archer, the chairman of the Ways and Means Committee, has called for abolishing the IRS and ending the income tax.

The systemic changes of the 104th Congress will be felt for decades.

—Grover Norquist is president of Americans for Tax Reform.

THE PEOPLE OF HAWAII VS. THE POLITICAL ESTABLISHMENT

In the November election, the people of Hawaii told their elected officials they are tired of having a self-proclaimed elite tell them what is and is not important. The most controversial issue in our state today is the course our political establishment has put us on toward state-sanctioning of homosexual marriage. Exit polls found that this was the deciding issue in the defeat of at least five incumbents from the state House of Representatives.

Surveys show that 70 percent of the people of Hawaii do not want "same-sex marriage," while 66 percent do not want domestic partnerships. The job of elected officials in a democracy is to make sure the will of the people remains the law of the land. This should therefore be an easy issue: no "same-sex marriage" and no domestic partnerships. Let's move on to the tough stuff, of which there is plenty.

But of course that is, in too many cases, not how our political system now works. Small groups of activists, legislators, and judges often force their will on the people even where there is no mandate for change. This is the case with gay marriage, and even after the recent electoral rebuff, it's not clear whether the drive for gay marriage in Hawaii's courts and legislature can be halted.

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STRENGTH FROM THE ROOTS

Writing recently in the *Wall Street Journal*, AEI distinguished fellow Irving Kristol criticized the Republican party establishment for lagging behind its rank-and-file in appreciating the importance of social issues. The debate over the welfare state, he notes, is no longer simply a matter of economics, but of social and cultural effects. Unfortunately, much of the Republican establishment "is not only resistant to such thoughts, it positively distrusts them. Republican eyes go blank at the very mention of 'culture.' The party's historic intimacy with the business community has led it to respect economists but to be suspicious of 'intellectuals.' The party's establishment has nothing against religion so long as it doesn't interfere with golf on Sundays, and it regards those who take religion seriously, who talk earnestly about 'values' and 'virtues,' as outside the 'mainstream.' Nevertheless, 20 percent of the delegates to the Republican convention described themselves as Christian conservatives.... And they are the most dynamic force within the Republican party."

That's why a second outcome of Hawaii's election is enormously important. For the people of Hawaii also voted in November to hold a state constitutional convention—primarily to prevent same-sex marriage from receiving official approval. A convention is costly, and there are risks of such a venture being hijacked by well-organized fringe groups of the Left or Right. But the gay marriage juggernaut in our courts left citizens with almost no other course of action; in the end, voters decided a convention to amend the constitution was worth the chance.

Hawaiians have made clear we want our elected officials to represent and support our principles. We are tired of having our public representatives waste time on what should be simple decisions. Our constitutional convention will give the people a chance to establish their judgments directly into the law; it is an end-run born of frustration with our political establishment's refusal to respect the public's views.

The newspapers, many elected officials, and liberal advocacy groups were strongly opposed to the convention. I personally found it ironic that the American Civil Liberties Union, for example, argued that although the people of Hawaii were smart enough to ratify the state constitution, they cannot now be trusted to amend it. The ACLU's implicit recommendation was to leave the direction of our state in the hands of a few "progressive" judges and justices. Think again.

I would offer a bit of advice to our public officials. First and foremost, treat us, your constituents, with respect and dignity. Seek our opinion and listen to it. Second, take seriously what we have to say about social policy and the principles that define our community. We are a very tolerant people, but we also know that the fundamental fabric of our community cannot be compromised. Third, participate in our everyday lives and activities so that you will continue to know what is important to us.

If these things don't happen, the people's discontent will be expressed in other ways.

—Marc R. Alexander, a priest and executive director of the Hawaii Catholic Conference, lives in Kaneohe, Hawaii.

TIME TO FREE AMERICAN WORKERS

AFL-CIO President John Sweeney has just done working people a big favor. For now that Mr. Sweeney has targeted conservative members of Congress, they may return the favor and pass measures in the next Congress to increase worker freedom. The following legislative agenda would bring howls from union bosses in their marble palaces in Washington but do good things for working stiffs on the shop floor:

• *The Worker Right to Know Act*: This legislation would require labor unions to get permission from their members before using mandatory dues for politicking and other activities unrelated to collective bargaining. Workers should not be forced to give money to wacky causes and politicians.

• *Flextime for Workers*: Amend the Fair Labor Standards Act to allow workers and employers to reach voluntary agreements concerning flexible work schedules and pay. For example, a mother would be able to work 45 hours one week in exchange for working 35 hours the next week so that she could take her child to the doctor. Union bosses oppose this reform, which is far superior to the unpaid Family Leave Law.

• *End the Gag Rule on Worker Input in the Workplace*: Passing the Teamwork for Employees and Management Act would enable businesses to establish employer-employee involvement committees that would give workers a voice in business operations and help improve productivity, safety, and customer service. Currently, the only discussions between workers and bosses are those sanctioned by union contracts.

• *End Racial Preferences*: Historically, race has been used to divide workers. It's time to

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move toward a color-blind society by eliminating racial preferences with a federal version of the California Civil Rights Initiative.

Congress should do U.S. workers a favor and overturn today's antiquated union-boss agenda.

—Marshall Wittmann is a senior fellow at the Heritage Foundation.

THE CONSERVATIVE ASIAN-AMERICAN

Who best represents the interests of America's minorities: Republicans or Democrats? Conventional wisdom says the Democrats, since they carried huge majorities among blacks and Hispanics in this year's presidential and congressional elections. President Clinton won 84 percent of the black vote and 72 percent of the Hispanic vote, according to exit polls.

But then there is the case of Asian Americans, who account for about three percent of the U.S. population and will soon account for much more. In recent years, Asian Americans have proven themselves to be among the most faithful Republican voters in the country. In this year's presidential race, 49 percent of them gave the nod to Bob Dole, and only 42 percent went for Clinton. That's a more Republican split than whites exhibited.

Asian Americans also supported the GOP in congressional races: 53 percent voted for the Republican candidate, versus 42 percent for the Democratic candidate. Here again, Asian Americans voted more Republican than did whites (who favored the GOP 52 to 46 percent).

These results are no fluke. Fully 55 percent of Asians cast their ballots for Bush in 1992, compared to only 38 percent of the general population. Back in 1988, Bush won 54 percent of the Asian-American vote. Ronald Reagan may have captured as much as 70 percent in 1984.

Many distinct groups fall under the category "Asian American." Chinese, Filipinos, Indians, Japanese, Koreans, Vietnamese, and others share no common faith, history, or language. Most Asians do not feel a deep sense of kinship with other kinds of Asians. They are more likely to marry whites than an Asian of a different ethnicity.

And various Asian groups display markedly different political preferences. Koreans are considered fairly Republican. (The only Korean-American member of Congress, Jay Kim of California, is a Republican.) Chinese and Vietnamese Americans also appear to prefer the GOP. Democrats find strength among Japanese, Filipinos, and Indians. Internal polls conducted by the Republican National Committee suggest that foreign-born Asians are more supportive of the GOP than their native-born counterparts.

Why do many Asian Americans lean toward the right? Koreans, Chinese, and Vietnamese have had bitter personal experience with communist governments, and the Republican Party's traditional anti-communism has been one factor. Also, Asian Americans are prosperous, on the whole, with income levels similar to those of whites. What's more, they are very well educated: 40 percent hold a college degree, compared to about one-quarter of whites. Voters with a college education are more likely to vote Republican.

Over time, assimilation will probably make Asian Americans indistinguishable from whites, in voting and other ways. But right now, they are among the GOP's most stalwart supporters.

—John J. Miller is vice president of the Center for Equal Opportunity in Washington, D.C.

A FEW SIGNS OF LIGHT FROM HOLLYWOOD

There is cause for rejoicing this holiday season: Amid the dark skies of Hollywood a few television programs and films are shedding a wonderful light.

One source is writer-producer Martha Williamson, who is responsible for the CBS shows "Touched by an Angel" and "Promised Land." Truly a television miracle, "Touched by an Angel" was almost canceled because of a bad time slot and low ratings two years ago. A write-in campaign helped save the show, and as I write it is its network's highest-rated program. This Sunday-night drama consistently extols faith in God and Jewish and Christian virtues like honesty.

"Touched by an Angel" was originally conceived as more of a "new age" comedy show portraying God as indifferent and angels as recycled dead people. When Williamson, a Christian, was brought in to fix the show in its pilot form, she told CBS that if she were to work on the series, some basic beliefs would not be violated: (1) God is a loving presence who cares about humans; (2) angels aren't recycled dead people but rather specially created beings sent to earth for special tasks, as portrayed in the Bible. Williamson changed the program into a more serious drama with some light moments of humor.

The show deals unflinchingly with controversial topics, but in a way that cultural conservatives can applaud. In one episode an unwed mother has to make a decision about whether to have her baby or give it up for adoption. Abortion isn't even considered. This season's premiere dealt powerfully with gangs and the effects of fatherlessness.

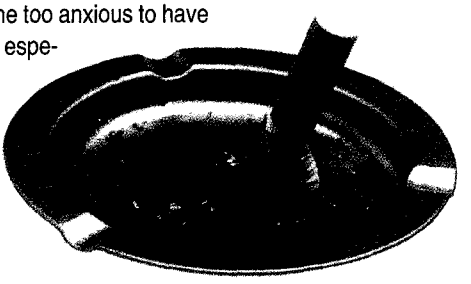
WHAT'RE THE MEDIA SMOKING?

We are currently in the midst of a serious resurgence of drug abuse, with use of narcotics more than doubling among teenagers in just the last three years. Yet a recent Media Research Center study found that network TV newscasts included far more stories over the last year on tobacco (423) than on cocaine, heroin, LSD, and marijuana combined (340).

While we are hardly in the midst of a tobacco-use epidemic, today's drug abuse trend is destroying futures by the thousands. So why the unbalanced coverage?

A hint: Opposition to tobacco was a pet election-year project of the Clinton administration—and fully 85 of the TV news reports on tobacco were about administration efforts. On the other hand, the White House was none too anxious to have the nation talking about the revival of teen drugging, especially since it follows a decade of striking reductions in abuse rates. And it turns out the media's story-pickers obliged: Only 45 of the far fewer stories on drugs mentioned the Clinton administration at all, and most of these did so favorably.

Surprised?



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Williamson's other show, "Promised Land," features a family, headed by actor Gerald McRaney, who travel the country doing good works and inspiring other people to take an interest in their local community. The show's premiere gave CBS its highest Tuesday-night rating in over a year and a half.

In the moviehouses, meanwhile, a positive film being released for the holidays is a remake of an almost 50-year-old classic, *The Bishop's Wife.* In its new form with a black cast it's called *The Preacher's Wife.* The film tells the story of how God guides a minister in answer to his prayers for assistance.

One fresh aspect of the remake is soul-stirring gospel music and rousing renditions of classic Christmas hymns. The guiding star responsible for this film is singer-actress Whitney Houston, who chose the project over many other options. *Entertainment Weekly* reports that the singing involving Houston and the choir became quite moving, with one woman on the set being overcome by the power of the Holy Spirit. As director Penny Marshall tried to stop the scene, Houston interjected that "you can't stop the Spirit," and actor Courtney Vance, who stars as the preacher, grabbed the microphone and exclaimed "you can't call Him in here if you don't want Him to come."

Even in Hollywood, sometimes, the truth shall make you free.

—Los Angeleno ***Dave Geisler*** *contributes often to* The American Enterprise.

IS RUSSIA'S EMPIRE GONE FOR GOOD?

Whether Russia stays democratic or reverts to authoritarianism, Eastern Europe remains threatened by aggressive Russian nationalism, some experts warn today. On page 25 of this magazine, Caspar Weinberger argues that the Russian people have "not given up their basic idea of world domination." "Creeping expansionism," cautions Henry Kissinger, "is the recurring theme of Russian history." But is this true?

Traditionally, Russia has actually been somewhat passive internationally. Russia has been attacked—and sometimes conquered—by the Vikings, Mongols, Swedes, French, and Germans. Even though Russia still contains extremists who yearn for a return to the good old days of empire, the fact is, Russia's European border has shifted hundreds of miles eastward since the collapse of communism.

There are many examples of nations relinquishing their empires over the past century—for instance, the British, Ottoman, Portuguese, and Dutch dominions. And each of these had much longer and deeper histories of imperialism than the Soviet Union.

To say that Russia is naturally expansionist is to forget what the Cold War was about and why the Soviet threat was such an exceptional one. Moscow posed an international threat specifically because it was a missionary regime that sought to spread Marxist-Leninist ideology across the globe.

Former Defense Secretary Weinberger cites Russia's "intervening in various local disputes" as evidence of extra-territorial ambitions in the post-Cold War era. But to equate Russia's involvement in Chechnya with Russian expansionism is to miss the distinction between imperialism and the actions of great powers made uneasy by disorder in their neighborhood.

True, some Russians, like Vladimir Zhirinovsky, unashamedly advocate expansionism. But these hard-line extremists do not enjoy the support of most Russians.

Oddly, many experts who sought détente and coexistence with an authoritarian and expansionist Soviet Empire now counsel a harder line against a weak and democratic Moscow. Rewarding Soviet Communism in the 1970s and punishing Russian democracy in the 1990s makes as much sense as victimizing Weimar Germany in the 1920s and then appeasing Nazism in the 1930s.

Care in sifting claims about Russia's "relentless expansionism" would seem to be in order today.

MEDICARE'S CRISIS: FINANCIAL AND MORAL

Medicare's problems are real: First, the staggering cost Medicare will impose in coming years. Second, the underlying moral problem of entitlements.

Like Social Security, Medicare's Hospital and Insurance (HI) program is financed through payroll taxes and currently swallows up 2.9 percent of worker earnings. And like Social Security, it is headed for bankruptcy—and even sooner.

HI's hospital outlays have exploded from $49 billion in 1985 to $115 billion in '95. Under all three actuarial projections used by its Board of Trustees, the "trust fund" will be bled dry by the end of Bill Clinton's second term. At that point, Medicare will be unable to pay the bills coming in from hospitals.

The problem is not that Medicare will go broke—that could be "fixed" by raising taxes—but that the benefits promised under current law are unaffordable. The annual deficit in Medicare's hospital care program will be $100-150 billion within eight years. Adding that to existing government borrowing will be ruinous.

Covering costs through taxes will be equally crippling. Expenditures mandated under present law are expected to eat up almost 12 percent of U.S. workers' earnings by 2070. To carry this load, annual Medicare taxes on a $60,000 income would have to jump immediately and permanently from $1,740 to nearly $4,500—just to keep this one program, serving 15 percent of the population, solvent.

Medicare's imminent financial crisis springs most profoundly from the "entitlement" ethos itself—the idea that merely by being alive one is owed costly things at other people's expense. This attitude creates serious moral problems. We enter an unbalanced world where, as Rudyard Kipling put it, "all men are paid for existing and no man must pay for his sins." An insidious combination of political reward

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and moral intimidation has made support for entitlements a litmus test of "compassion." Made untouchable in this way, they have grown unaffordable.

They have also changed our expectations of politics. President Clinton put on an election-time show of indignantly defending Medicare from Viking raiders. His success suggests that a democracy dominated by entitlement constituencies will resist any retrenchment of benefits, regardless of fairness or sustainability. With fiscal catastrophe fast approaching, something in today's entitlement ethos has to change.

*—**John Attarian** is an Ann Arbor, Michigan writer with a Ph.D. in economics.*

THE AARP ROADBLOCK TO ENTITLEMENT REFORM

The American Association of Retired Persons (AARP) is the country's largest organization for seniors—and today's main roadblock to entitlement reform. One of AARP's executive directors has bragged that "the fear level in Congress [toward AARP] is just incredible."

The AARP has 33 million members and a $350 million budget. Its Washington headquarters employs 1,750, and its two major publications, *Modern Maturity* and *AARP Bulletin,* have more readers than any other magazine.

Yet politically, AARP does not represent seniors, most of whom are conservatives. Most members join for the discounts it provides. In 1994, it sold members $183 million worth of products. Its wealth is so formidable that in 1994, when the IRS forced it to pay $135 million in back taxes, news reports said AARP simply cut a check.

Its membership's dependence on Social Security and Medicare, plus the fact that the AARP itself gets $86 million a year in grants directly from the federal government, leaves the organization completely enmeshed in the Washington octopus. Not surprisingly, much of the organization's money is therefore spent lobbying for bigger government.

AARP has supported many statist initiatives you wouldn't expect a seniors group to push. Economist Thomas DiLorenzo notes that the AARP has backed higher taxes on inheritances, capital gains, and income, endorsed rent control, and opposed all school choice (nearly a quarter of AARP's National Legislative Council are retired teachers). In 1993, the National Taxpayers Union calculated that if all of AARP's many legislative proposals had been enacted, the federal budget would have immediately increased by $300 billion and grown by an additional $600 billion by 2003.

There is no evidence AARP's budget-busting liberalism represents its membership. *Forbes* reports that only 14 percent of AARP members say they joined the group because of its lobbying activities, and that few participate in its policy debates. According to the *Washington Times,* internal AARP polls showed that half of its members voted for Republicans in 1994.

Indeed, AARP's love of government programs has at times backfired with its members. Though AARP lobbyists helped draft the Clinton health care plan, the organization discovered in 1993 that 82 percent of its members opposed it.

In 1989, AARP lobbyists were influential in passing a federal "catastrophic health care" plan. But when seniors found that this involved a new tax that could cost them as much as $800 a year, they rebelled. AARP quietly dropped its support, and Congress repealed the program—the first welfare program to be repealed since the New Deal.

Though large, AARP membership has been stagnant since 1990. Six years ago, 52 percent of all Americans over 50 were members; now only 48 percent are. Meanwhile other seniors' groups, like my own, continue to grow.

Congress ought to look into the AARP's non-profit status, in light of the organization's many money-raising schemes, and eliminate its government grants altogether. And it ought to be skeptical about how closely the organization's positions represent the true views and interests of its members.

*—**James L. Martin** is president of the 60 Plus Association.*

INTERGENERATIONAL TRANSFERS

"When Donna Sullivan wanted a new Ford Explorer, she went to her old reliable source of financing: Daddy." So reports the *Wall Street Journal* in a story on an increasingly prevalent private-sector practice for redistributing wealth.

"He forked over $9,000 and marvels at how his daughter is able to talk him into financing her wish list. No struggling student just out of college, Donna is 42 years old. Far from poor, she and her husband Ron both have jobs. They take beach and ski vacations twice a year and eat out three times a week.... Before hitting her father up for the Explorer money, Mrs. Sullivan talked him into buying her a giant-screen TV; the Sullivans were a little short at the moment, having blown $2,000 on stereo equipment. "'Must sound like my brain's a muddle of mush,' Mr. Kinney says."

JOBS, VALUES, AND THE INNER CITY

In a Wilson Quarterly *review of the latest book by urbanist William Julius Wilson, economist Glenn Loury argues that money and economic reform cannot fix what ails our inner cities:*

"William Julius Wilson has won academic fame promoting the idea that the main cause of America's inner-city traumas today is joblessness. Yet the voluminous research material he has gathered together over the last decade (thanks to enthusiastic funding from numerous foundations) indicates at many points that the *real* root of our urban problems is actually something other than economic troubles.

"For instance, Wilson has rich comparative data on the experience of poor Mexican immigrants living in Chicago. It turns out that despite the Mexicans' lack of education and job skills, neither their

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RUDOLPH THE RED-FACED POSTMAN

Subscribers to this (and every other) magazine must sometimes wait two weeks from when their copy is dropped in the mail until it's delivered. (Sorry, but that, the weather, and Woody Harrelson's fondness for trees are totally beyond our control.) And like other businesses, we've found that we don't dare use the mail to deliver hard-to-replace items like manuscripts, tapes, and film.

So what kind of bold innovations is the U.S. Postal Service cooking up these days to improve its service to customers? Try "The Rudolph and Frosty Sing-along Video."

Don't ask *us* why every post office in the country is now selling cartoon videos. Literature sent to post office managers cites three reasons for boldly adding this "great stocking stuffer" to its postage offerings: (1) ***"It brings in customers."*** (Funny, last we knew, either you needed stamps or you didn't. Is the post office now an impulse-buying destination?) (2) ***"It brings in revenue."*** (Why do we have a hard time believing that a sing-along video tape sold for $4.99 will be a cash cow?) (3) ***"It's also another way that you can help people handle the holidays."*** (So: the Postal Service, like so many other government agencies, is now providing therapy.)

We remind you, these are the same people who tried to stop selling a Christmas stamp last year because it might offend people.

employment records nor their familial attachments are as weak as is the case for inner-city black Americans. Close inspection shows that the culture and values of the Mexican Americans contrast strikingly with those of black communities. Employers, for instance, report sharp differences in the reliability and trustworthiness of black and Mexican labor.

"Wilson cites the fact that, as immigrants, these Mexicans are willing to take more grief on the job, and are closer to the cultural patterns characteristic of their rural, Catholic social origins.... [Clearly,] in exactly the same economic environment, some poorly educated people are nevertheless able to organize their lives so as to make much better use of the available opportunities than others.

"There is a convergence between what employers told Wilson about black, male, ghetto-dwelling youths and what prospective mates said about these same men. And on the whole, neither the young women nor the employers seem to have a very high opinion of the capacities and intentions of these young men.

"...Even if it were true that a lack of job opportunities is what produced today's unravelling of the inner city, it simply does not follow that the provision of public jobs and European-style social benefits to those living amidst the unravelling will make everything right again. The counter-productive values and behavior patterns of these young men may need to be reckoned with on their own terms. The issue here is not 'blaming the victim,' or avoiding such blame. It is, rather, a question of affixing responsibility and prescribing remedy."

HURTING WOMEN'S COLLEGES BY HURTING MEN'S COLLEGES

At Meredith College, a private women's college in Raleigh, North Carolina, one of the hottest items in the school store is a T-shirt that warns: "Better Dead than Co-Ed." That seems to be the consensus at many of the nation's 80-some women's colleges—whose futures are clouded now that the Supreme Court has ordered the Virginia Military Institute to become co-ed. This second blow, after the courts earlier forced co-education on The Citadel, could endanger single-sex education at private as well as public institutions, at primary and secondary schools as well as colleges.

Which would be unfortunate—and perverse by feminists' own standards. For single-sex schools are leaders in producing successful women. Statistics show that graduates of women's colleges are twice as likely as their co-ed counterparts to excel in such traditionally male-dominated fields as natural science, business, and government. Facts like these are apparently unimportant to Justice Ruth Bader Ginsburg, author of the high court's VMI decision, who is focused instead on the alleged injustices of all-male schools.

Eleanor Fallon, a 21-year-old junior double majoring in French and art history at a small women's college in New York, would mourn a loss of single-sex education. "I feel more confident that what I have to say matters. When I was in high school, I was in honors classes and I wouldn't raise my hand. Here, I'm vice president of the Art Student League, and I feel that I've gotten a wonderful education."

Where are women's advocates now?

—Emily Fulghum, an intern at TAE, *is a student at Meredith College.*

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By Karl Zinsmeister

Indicators

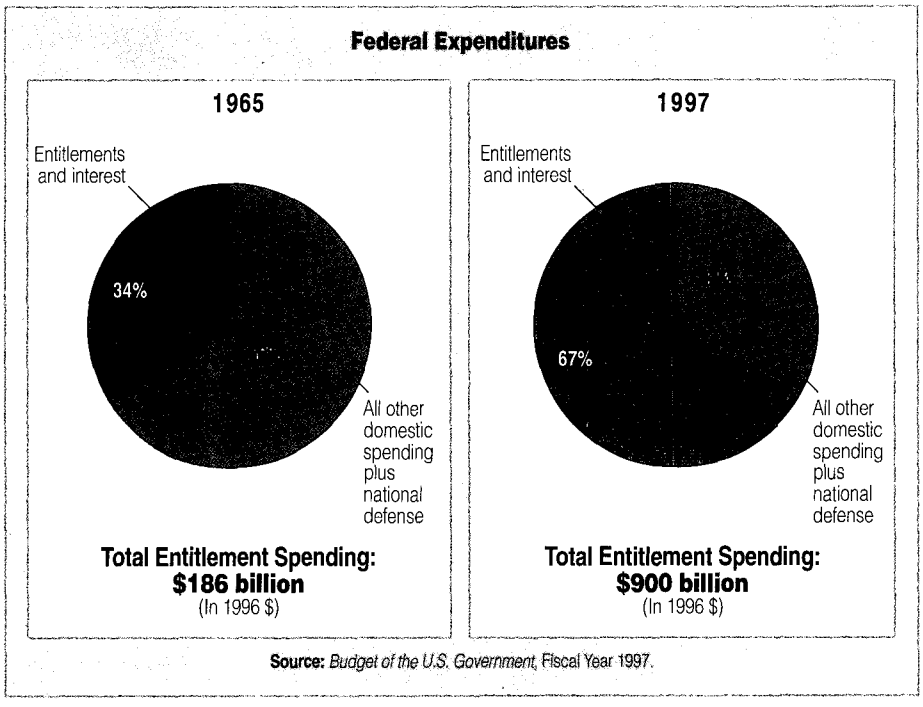
OUR ENTITLEMENT EXPLOSION

Over the last generation, a revolution has taken place in the way the federal government spends money. **Many so-called "entitlement" programs were either set up for the first time or sharply expanded during the 1960s and early '70s.** Unlike other federal programs, which spend only what Congress allots each year, **entitlements give beneficiaries a right to whatever resources they demand.**

If an elderly person asks for a medical service, he is entitled to have Medicare pay for it. If an unwed woman with no job has a baby, she is entitled to a welfare check. If a child with behavior problems is classified as "learning disabled," he is entitled to an SSI payment. More than one out of every eight Americans meets the qualifications for drawing Food Stamps today, and any of them who ask for the coupons will get them, without consideration of the program's budget.

Because entitlements are set up without built-in limits, they can easily expand into huge, unchecked spending mechanisms. Which is exactly what has happened over the last 30 years.

In 1965, two-thirds of all federal spending went for programs that were specifically budgeted each year. This included all expenditures for national defense and international projects, plus domestic spending on things like transportation, medical and science research, public lands, and support for higher education. The other third of the budget went to entitlements—basically Social Security and welfare programs—plus interest.



Today, those proportions are exactly reversed. **More than two-thirds of all spending from Washington is now funneled into entitlements and interest. Everything else**—including all national defense, and all domestic needs that are not set up as personal entitlements—**totals only 33 percent of the budget.**

Of course, the total amount of federal spending was also going up rapidly during those three decades, so the proportion-of-budget figures I've given above don't give a full sense of how rapidly entitlements have mushroomed.

Consider the actual spending figures: **In 1965, $186 billion was spent on entitlements. This year, the figure is $900 billion.** (To factor out inflation, both of these totals are expressed in constant 1996 dollars.) By comparison, the grand total of all spending on national defense this year is $259 billion.

Entitlement spending continues to race upward every year, both as a dollar total and as a percentage of the federal budget. It will not be possible to get control of the growth of government in this country unless the "automatic" quality of entitlement spending is ended, so that outlays can be kept within sensible limits.

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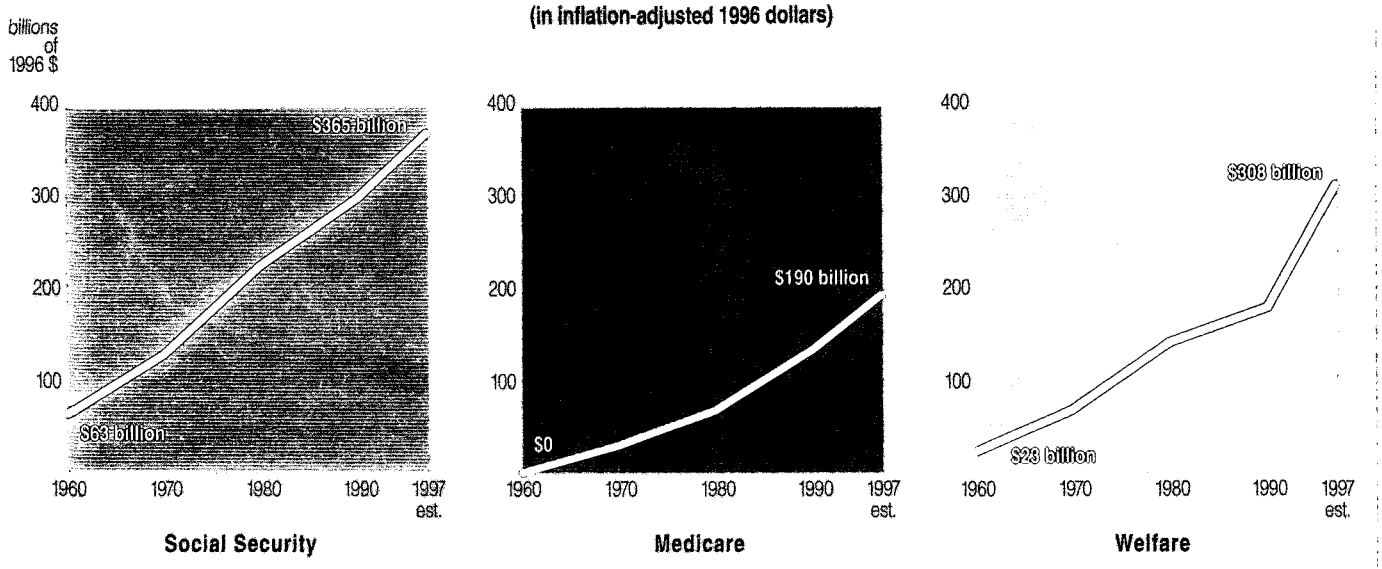
GROWTH OF SOME SPECIFIC ENTITLEMENTS
(in inflation-adjusted 1996 dollars)



Source: *Social Security Bulletin, Annual Statistical Supplement,* 1995; *Budget of the U.S. Government,* U.S. Office of Management and Budget. Welfare includes state and local as well as federal spending.

POLLING ON PRIVATIZED SOCIAL SECURITY ACCOUNTS

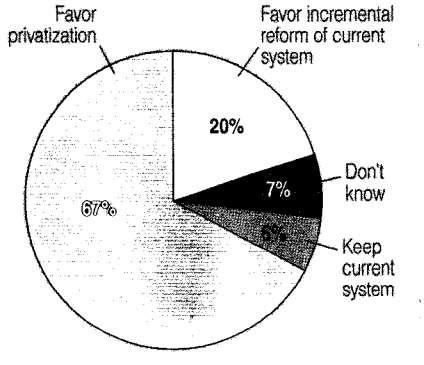
A number of surveys have recently asked the public about converting Social Security into a system of personal retirement savings accounts. Americans turn out to be open-minded and friendly toward what would be a very dramatic change from current practices. **Younger people are especially enthusiastic about privatization, but nearly all groups are willing to consider the possibility,** and there is sentiment for making the changeover *soon.*

A 1996 poll by Mathew Greenwald and Associates asked the public about diverting a portion of Social Security taxes into individual IRA-like accounts. It found that 59 percent of all Americans favor such a reform, while 36 percent oppose it. Among *workers,* more than two-thirds favor the proposal, even when the scenario of "lower total benefit levels" is added.

Another 1996 poll, this one conducted for the Cato Institute by pollster W.D. McInturff, gave respondents a full description of the various characteristics of a Social Security privatization plan. The result was that 71 percent of the public favored such a reform, while 13 percent were opposed (14 percent expressed no opinion). Large majorities of every sub-group—seniors, young people, Democrats, Republicans—favored the idea.

When McInturff asked people to choose between an individual-accounts-type reform and an alternative reform in which a gradually raised retirement age, increased payroll taxes, and reduced benefits would be combined to try to save our current system, **people preferred privatization to reform of our current system by 67 percent to 20 percent (see below).**

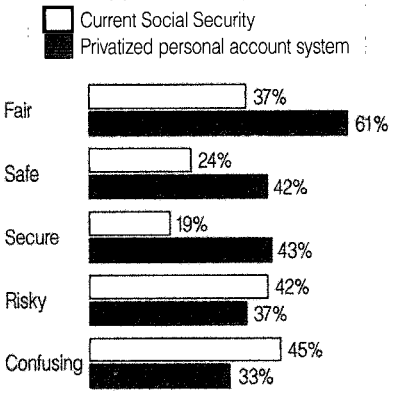
Preferences on Social Security Reform



Source: W.D. McInturff, Public Opinion Strategies, June

Elements of a privatized system that particularly appeal to the public include the fact that control over personalized accounts would be exerted by the owner, not the government. McInturff reports that "respondents are distrustful of the goverment and think that they can do a better job of planning for their retirement." The chart below shows how the public rates our current system compared to an alternative built on personal retirement accounts.

Public Attitudes Toward Current Social Security Versus a Personal Savings Account System



Source: W.D. McInturff, Public Opinion Strategies, June

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*Based on the 1995 Dalbar Survey of large 401(k) plan service providers.

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two views

AS THE GOVERNMENT'S LARGEST HEALTH CARE PROGRAM COLLAPSES, TWO CONSERVATIVES DEBATE THE BEST STRATEGY FOR PERSUADING VOTERS TO FIX IT.

What Do We Do About Medicare?

Michael Horowitz

Republicans seem likely to reject the President's call for a bipartisan Medicare reform commission. This is a welcome decision, even if it is wholly based on *politics*—returning the favor to a President who mischaracterized the GOP's proposed Medicare cuts.

What's missing are serious Republican and conservative *policies* and *strategies* to reform Medicare and the health care system as a whole. As is sadly clear from last year's budget debacle, the Republican "vision" for Medicare reform largely consists of proposals to restrict physician choice and to squeeze and fix provider prices. For once, we have partisan politics to thank for good news. If not for the Republican decision to force the President to play Medicare grinch all by himself, both parties would now be working on "responsible" Hillary-lite reforms.

A bit of history is in order to see how we got into this mess. Roll back the clock to World War II, when strict wage controls made it impossible for companies to attract needed labor with higher salaries. Enter Henry Kaiser, whose West Coast armaments plants were losing key staff. Unable to offer pay increases, Kaiser asked the government to allow him to provide health care to his employees, without taxing it as employee income. Eager to keep the Kaiser plants rolling, the government approved the request on an "experimental, temporary" basis. Not surprisingly, tax-free health benefits soon became universal and permanent, and the Kaiser loophole metastasized into Section 106 of the Internal Revenue Code, which continues to pretend that employer-paid health benefits are not a form of employee compensation and therefore needn't be taxed like cash income.

This policy makes it silly for Americans to buy their own health care: Why buy health insurance with your after-tax income when your employer can buy it for you tax-free? Worse, this loophole has taught Americans to treat health care as a "free" entitlement that someone else pays for. It was a short step from employer-provided health insurance to government-provided Medicare/Medicaid for retirees and welfare recipients.

Imagine if Henry Kaiser had sought to keep his employees happy not with health benefits but by creating "free," untaxed "food benefits." Had he done so, America would now be suffering from a food crisis, and we'd all be overweight—in a world where restaurant bills, groceries, and perhaps even kitchen equipment were paid for by someone else. Republicans, Democrats, and em-

Christopher Caldwell

Medicare is on the fast track to insolvency. Its hospital-insurance trust fund will go broke by the year 2001. At the height of last winter's government shutdown, even the Democrats recognized that deep cuts in spending would be necessary to put the program on a sound financial footing.

By disingenuously pretending otherwise in the recent elections, Democrats set back the cause of reform. They also scored victories at the polls by casting Republican plans to stem the tide of red ink as an effort to "slash" Medicare. Then, with virtuoso brazenness, President Clinton reversed course just days after the election and told the GOP he wanted to "pick up where we left off" in the negotiations to trim Medicare.

Many Republicans, understandably piqued, say this is no time to reward the President for talking out of both sides of his mouth. While the Democrats are eating crow, they say, let's propose a truly bold overhaul of the whole Medicare system.

Unfortunately, bold reforms are not now politically attainable. Galling though it may be, Republicans should take the President up on his offer and work for incremental, bipartisan reforms. There are perfectly good *conservative* reasons to do so.

First, if anything links voter repudiation of congressional Democrats in '94 with the cooling of voter enthusiasm for congressional Republicans in '96, it's distrust of radical government solutions. Before Republicans suggest an overhaul of anything from Washington, D.C., they must first reckon with the American public's visceral distrust of federal schemes and manipulations—of all sorts. This suspicion of change—whether it's change to create government programs or to dismantle them—is one thing the Gingrich-era Republican Congress failed to appreciate.

Just because Americans are reluctant to have Medicare drastically overhauled does not mean that they are at peace with a mammoth welfare apparatus, that they are statists at heart, or that major reforms over the long term are unlikely. It's just that even voters who are sympathetic to dismantling the welfare state are skeptical of sharp swings. In particular, they have an interest in resisting alterations that aren't entirely clear to them, since they are on the hook for the accumulated taxes they've paid into the system.

No matter how attractive the Republican plans for sweeping reform may be, many voters will distrust them and insist on a

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Horowitz continued

ployers would now be trying to limit the amount and type of food purchases, and attempting to shut down all but a few politically well-connected restaurants and supermarkets, whose food selections and prices could most easily be controlled.

Returning to our present situation, we can quickly see why Medicare cannot be reformed through budget squeezes or other efforts at overt or covert health care rationing. Politically organized seniors will fight cutbacks in their health care so long as (a) they operate under the delusion that they've actually paid for their benefits through Social Security taxes during their working years, and (b) they see working people with higher incomes receiving health care as a benefit provided by others. This is why nearly one-quarter *trillion* dollars in projected savings from prior Medicare "reforms" vanished with barely a trace.

REPUBLICANS SHOULD PROPOSE REAL REFORMS BASED ON MARKET PRINCIPLES.

The only way to move our health care system back to the efficiency of a free market and remove its ticking fiscal time bombs is to liberate health care purchases from the perverse incentives and free-lunch fantasies of our tax code. Only when working people become responsible for their own health care will America's seniors accept sensible revisions of Medicare. Only then will employers and politicians stop feeling compelled to limit or destroy physician choice and fee-for-service medicine.

First off, health benefits should no longer be tax free. For this to be politically palatable, workers should get some other tax reduction at least equal to the tax break being withdrawn. A simple, moderate "flat" income tax would be ideal, because it would pave the way for employers to substitute higher wages in place of health benefits, without worsening the overall tax burden of employees.

Self-employed and part-time workers and those working for small businesses would also benefit greatly from this change. Currently, many individuals in these three groups lack the health benefits received by other workers. Under a reformed health care system, every type of worker would enjoy the same choices and compensation levels. And market reforms would ensure that insurance and managed care companies won't become our doctors merely because they can disguise health care rationing well enough to take hard-pressed employers and politicians off the hook.

Sadly, Republican cannibalism directed against Steve Forbes' flat-tax proposal hurt the cause of lasting health care reform. On the other hand, Republicans' anger at the Democrats' demagoguery on Medicare may stiffen their resolve not to jump on the "bipartisan" bandwagon. Let's hope the second thoughts lead Republicans to come up with real reforms based on market principles, instead of yet another set of hoary Medicare "reforms" certain only to produce regulatory bureaucracies, market distortions, and illusory savings.

Michael Horowitz is a senior fellow of the Hudson Institute.

Caldwell continued

more incremental approach. Their fear that changes might hit them unexpectedly in the pocketbook is understandable. After all, past promises from government reformers have often been absurdly rosy: Think of the cost projections that led to the establishment of Medicare in the first place.

The Republicans should take a lesson from Bill Clinton's political resurrection. The President pursued one goal consistently throughout his first term: to re-connect the middle class's sympathies to the federal government via new government programs. In his first two years, he erred by trying to forge that link through a single radical reform—national regulation of the health industry. In his second two years his goal was the same, but he was much more successful because he decided to slip more government into people's lives with tiny regulations—a higher minimum wage, expanded family medical leave, FDA tobacco bans, a ban on "drive-by deliveries" of newborns, etc.

BOLD REFORMS ARE NOT NOW ATTAINABLE. REPUBLICANS SHOULD WORK FOR INCREMENTAL REFORMS.

It worked. Go-slow centrists didn't feel that government was arrogantly stepping into all corners of their lives, while Clinton's liberal base was confident that from small acorns, big government doth grow.

Republicans have pursued the opposite goal—to disconnect the middle class from governmental dependency—but they have made the identical mistake of overreach. When the GOP tried to achieve this uncoupling in one fell swoop, through a budget battle, the party was repudiated. Republicans would be wise to change tactics now and sow the seeds of attitude change through incremental trimming of entitlements.

On Medicare, if the two sides indeed "pick up where they left off," Democrats and Republicans will wind up fractions of a percentage point apart on the proper spending level. The real bone of contention will be whether and how Medicare is allowed to evolve in the future. If Republicans try to replace the Medicare system root and branch, they will be viewed as dangerous saboteurs. If, on the other hand, they can insert into Medicare legislation small provisions that provide for voluntary medical savings accounts or medical vouchers, they will have set the stage for real reform to occur gradually.

That's the most productive approach. The things worth fighting for are pilot programs—however small at first—which will impress Americans with their effectiveness, establish an alternative to government, and awaken a desire for major reforms over the long term. That desire is simply not present yet.

Christopher Caldwell is a senior writer for The Weekly Standard.

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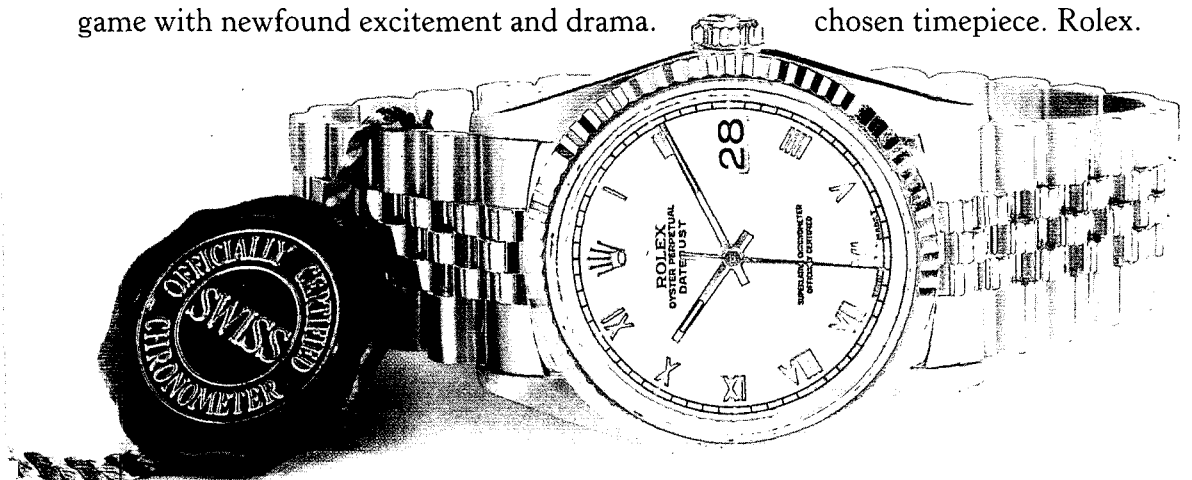
Palmer and Nicklaus. A legendary pairing.

For more than three decades Arnold Palmer and Jack Nicklaus have been joined in one of the most intriguing rivalries in sport, a competition made all the more riveting by their contrasting styles and personalities.

With his bold slashing play and telegenic charm, Palmer was the game's first crucial media star; while Nicklaus wielded his remarkable talent and concentration to rewrite the record books. And between them they infused the game with newfound excitement and drama.

"Looking back on all our years of competition," says Nicklaus, "I see it has worked exactly the way it should. It has brought out the best in both of us." And Palmer agrees, adding, "Not only that, it's also been fun."

Over the years, the pair have also competed as businessmen and golf course designers. But through all their battles, athletic and otherwise, they have shared an unwavering love for the game of golf and an abiding appreciation for their chosen timepiece. Rolex.



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"Live" with TAE

THE ONLY MAN TO RUN BOTH THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND THE DEPARTMENT OF DEFENSE TALKS ABOUT GOVERNMENT—HERE AND ABROAD.

Caspar Weinberger

As a boy growing up in San Francisco, Caspar Weinberger read the Congressional Record *for amusement. Yet despite three terms as a California state assemblyman, he made his mark as an appointed, not elected, official. Weinberger served as Governor Ronald Reagan's Director of Finance before migrating to the Potomac; he held several posts in the Nixon administration, where he became known as "Cap the Knife" for his budget trimming. President Reagan appointed his old staffer Secretary of Defense, a position the Army infantry veteran held for seven years.*

Caspar Weinberger is now chairman of Forbes. His new book, coauthored with Peter Schweizer, is The Next War, *a Tom Clancy-esque depiction of future U.S. wars.* TAE *editors Bill Kauffman and Tom Switzer interviewed Caspar Weinberger in his Washington office.*

TAE: What do you make of the election? Have the voters rejected the Republican Party of your generation?

MR. WEINBERGER: I thought the results were very disappointing on the presidency, but encouraging on the congressional side. I think the party is still very alive and strong.

TAE: You presided over the Department of Health, Education, and Welfare in the '70s. What's your opinion of the social programs you oversaw?

MR. WEINBERGER: We had a lot of things we thought should be ended—subsidizing the building of hospitals in areas with far too many hospital rooms, that kind of thing. With Medicare and Medicaid the claims of suppliers were being paid without careful examination of the charges. There are a lot of ways savings could be made.

TAE: Do you see the need for an overhaul of Social Security?

MR. WEINBERGER: Without question. Raising the retirement age would save a lot. I like the idea of privatizing it, as Steve Forbes was talking about, with a two-tier system: little change for those already in the system, but newer people could have the choice to invest their money. Perhaps the government could guarantee a small fixed stipend, and if people wished to risk improving that, they could.

You're going to have to do something, and I don't think raising the Social Security tax is the answer. It already discourages employment.

TAE: The villains in your book *The Next War* are often nationalists who resent foreign ownership of their nations' resources. Does the current worldwide resurgence of nationalism frighten you?

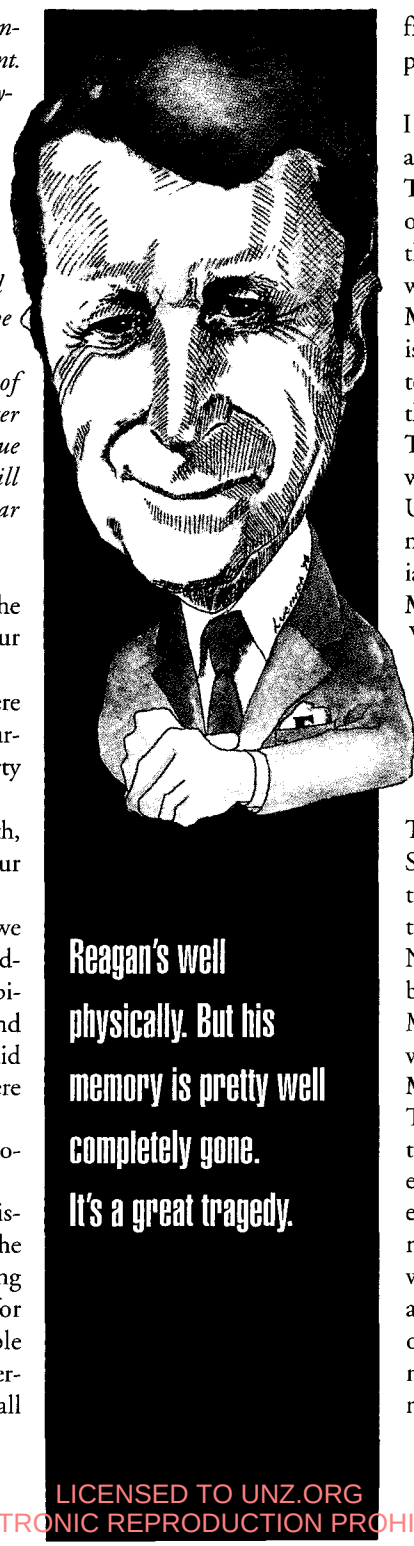
MR. WEINBERGER: It's not so much nationalism as it is a fundamentalist attitude that justifies terrorism to achieve your ends. It's an absence of the rule of law.

TAE: Upon the collapse of the Soviet Union, there was much speculation about who might be the U.S. Government's next enemy: Islamic fundamentalists, Latin American narco-terrorists, Russian expansionists. Which do you think it will be?

MR. WEINBERGER: All of the above, probably. We have in the book set up some scenarios as to what could happen if these countries fall into the wrong hands. The one on North Korea is, unfortunately, too plausible: a half-mad leader with a substantial military force and a wretched economy—a bad combination.

TAE: But as Doug Bandow recently pointed out, South Korea has twice the population, 18 times the productive power, greater access to international markets, a vast technological lead over the North, and has earned diplomatic relations with both of Pyongyang's major allies, Beijing and Moscow. Is it really conceivable that the North would invade the South?

MR. WEINBERGER: They might get desperate. They might feel it was their only chance to gain the kind of economic strength they can't gain operating the way they are. And when we give them encouragement, such as we did with that appeasement agreement, you give them something they want even more than that—international respectability. And you bother the South Koreans, our old ally. It's another example of the Clinton administration's totally disregarding the wishes and needs of our allies.



Reagan's well physically. But his memory is pretty well completely gone. It's a great tragedy.

Illustration by Lucinda S. Levine

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TAE: China is the site of another hypothetical war scenario in *The Next War.*

MR. WEINBERGER: China's become much more aggressive. They want offensive weapons, not defensive weapons. They dropped missiles into Taiwan's territorial waters, and they make threatening noises about their sovereignty over the whole South China Sea.

It's also a country in transition. Deng Xiaoping can't last forever, and when he goes, present leadership assures us that the transition's all settled. I don't think that is the case. Present leadership has made some very anti-Western statements, and they make arms sales to countries that we wish they wouldn't; they have acquired a strong nuclear capability and a huge army.

TAE: The Framers counseled non-involvement in the affairs of Europe. For 55 years we've violated their strictures. What would they say if they returned?

MR. WEINBERGER: I think they'd be wise enough to know that the world has changed drastically. We could not live in a world that had Europe overrun by the Soviets or the Russians or anybody else. It would be very much like allowing Japan to be overrun: The next step's Hawaii, and the next step's the U.S. I had soldiers under my command in World War II who were unhappy with being in the jungle. They would say, Why do we have to be over here? And I said, "Because I would infinitely rather defend California from New Guinea than from Oregon."

TAE: The Framers also emphasized that a republican form of government is incompatible with what they called "empire." Do we have an empire?

MR. WEINBERGER: No. We have deliberately eschewed having an empire. We even moved our bases out of the Philippines, even though it would have been far better for the Philippines to have us there.

TAE: Does the success of the U.S. military suggests that a certain kind of big government can work?

MR. WEINBERGER: It can be made to work. However, you don't want to maintain a wartime status. During World War I and World War II enormous expansions of overall government power were made and never ended. It took about 15 years before the railroads that were nationalized in World War I were denationalized.

But you've got to have your country strong and secure. You've got to have peace and freedom, and that requires a strong military, which is a large government operation.

TAE: Are you uncomfortable with TV ads that portray Army life as sort of a Job Corps but you wear a uniform?

MR. WEINBERGER: The recruitment advertising was to get people to agree to join an organization in which their lives were at forfeit anytime they were asked for, and in which they gave up a great deal of personal freedom. The emphasis was generally on appealing to the patriotic motives of people, and the volunteer system worked far better than anybody thought.

When I came into office, I was constantly asked when we would go to the draft, because the volunteer system wasn't working. But within a few months it turned around. Unfortunately, now we're starting to see some slippage. The Marine Corps, for the first time in years, failed to meet their recruitment goals. But people don't join the military to make money or learn a trade. They join because it's a patriotic thing to do.

TAE: Henry Kissinger and Zbigniew Brzezinski fear Russian expansionism in the post-Cold War era. Are they right to endorse an expansion of NATO to counter Russia?

MR. WEINBERGER: They're certainly right to endorse an expansion of NATO, because it's good in and of itself. But there are evidences of Russian expansionism. Many people in Russia don't accept the breakup of the Soviet Union. Yeltsin insists upon being a great world superpower and being given a place at the table and intervening in various local disputes. That indicates that they have not given up their basic idea of world domination.

TAE: Winston Churchill, your hero, said, "In victory, magnanimity." Russia is badly humbled—but you still propose an expansion of NATO.

MR. WEINBERGER: I don't think NATO expansion is a matter we should allow the Russians to dictate one way or the other. We should give them economic assistance, but I don't think Churchill would have defined magnanimity as allowing them to dictate who our allies should be.

TAE: You served with the FTC, OMB, HEW, DOD—the whole alphabet soup.

MR. WEINBERGER: Could never hold a steady job.

TAE: Who was the most capable bureaucrat you encountered?

MR. WEINBERGER: At OMB a fellow named Sam Cohn was extraordinarily able—knew all about budgets, very loyal, willing to do what the incumbent political appointees wanted done.

In a sense, all of the military are permanent bureaucrats, and they were wonderful to work with. People ask me if I miss the Pentagon. Well,

I like the idea of privatizing Social Security. I don't think raising the Social Security tax is the answer. It already discourages employment.

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I don't miss being awakened at 2:00 in the morning with a crisis, but I do miss the people.

I have a very healthy respect for people who work full-time in the government. Basically they were very strong, very able people who were quite selfless and willing to be thoroughly loyal to the incumbent policy people.

TAE: Do you still see President Reagan?

MR. WEINBERGER: No, I haven't seen him for a long time. I think the last time was at the Nixon funeral. I've talked to him on the phone. He's well physically. He plays golf and goes to his office and signs autographs. But his memory is pretty well completely gone now. He needs careful briefing before each meeting, and then if it's a good day, he might recognize you. It's a great tragedy, I said to his doctor. And his doctor said, "Well, we don't really know, he may be very happy wherever he is." He says he's in a totally different plane now.

TAE: Did the Reagan administration have any special role in the demise of Soviet communism?

MR. WEINBERGER: I think history will be very kind to Ronald Reagan. Without his efforts the Cold War would not have been won. I don't think the Soviet Union would have imploded on itself. It didn't for 70 years.

The first thing that had to be done, and Reagan recognized it, was to regain military capability. Without that, we couldn't have done anything. With it, we could come to the table and get an agreement.

One interesting thing that is frequently overlooked: In October 1981, President Reagan proposed the zero option—If you'll take your nuclear weapons out of Europe, we won't put any of ours in. He was laughed at. Everybody said the Soviets would never agree to it, it showed we weren't really interested in arms control.

In November 1987, that exact agreement was signed, without any of the Soviet requirements: We did not give up NATO, we didn't give up strategic defense or allow any missiles pointed at Asia. We got everything that we wanted, and the only reason was the military strength we had regained.

TAE: The language of defense and foreign policy has become Orwellian. For example, U.N. troops, wherever they roam, are "peacekeepers."

MR. WEINBERGER: Even though there is no peace.

TAE: Do government officials have an obligation both to the mother tongue and the American people to avoid the propagandistic twisting of language?

MR. WEINBERGER: I suppose technically they do. Peacekeeping in the United Nations sense is something you should never ask troops to do, because the peacekeeping force by definition is very lightly armed and has a very murky mission. You're putting them in a terribly dangerous situation, particularly if you put them under the control of Boutros-Ghali. He insists on personal command of the so-called peacekeeping forces—and he wasn't even in the Egyptian Army.

TAE: This is why, paradoxically, you were regarded as the house dove of the Reagan administration, opposing things like the Lebanon mission.

MR. WEINBERGER: Yes. When you have the care and the responsibility for the troops in your hands, you tend to be a lot more cautious than people who don't have that responsibility. It's easy to say we ought to send in a battalion here and a couple of regiments there—if you're not in the battalion or if you haven't had that experience.

I thought it was necessary to go into Lebanon the first time. The second time there was no mission. We said, they'll keep the Beirut airport open. But they couldn't secure their flanks. They couldn't take the high ground ahead. All things that Marines have to do. They were just sitting in the bull's-eye of a target.

The Gulf War was necessary. Grenada was necessary. It was necessary to attack Libya when we found definite proof that they had trained the terrorists who did the Berlin bombing. But not every crisis requires the U.S. to be policemen.

TAE: Is it a legitimate function of the military to assist in the destruction of the coca crop in South America?

MR. WEINBERGER: It's not the role of the military to deal with drug enforcement in the U.S. Some people wanted to put the Second Division on the streets of New York: That is absurd and violates all of our rules of democracy and the supremacy of the civilian over the military.

There are roles that the military can play. We could use the detection means that we have through radar and the AWACS planes to try to prevent a flood of narcotics coming in. We can, if the country wants us to, go down and demonstrate ways in which those local military and police forces can be trained to deal with the drug problem and farmers could be persuaded to go into other crops.

But the military is being treated as a force for social change. The military budget is constantly tapped for non-military purposes such as breast cancer and prostate research, which are good things to do but not anything that should be financed out of the military budget. Some people think it's too big, so they grab money out of it.

It's not the role of the military to deal with drug enforcement in the U.S. That violates all of our rules of democracy and the supremacy of the civilian over the military.

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TAE: You don't think it's too big?

MR. WEINBERGER: I think it's too small now. It does not have research and development funds. It doesn't have any funds for strategic defenses. We've lost a lot of our procurement needs. We've cut back on training, on personnel, on forward deployment.

In the Constitutional Convention there was a proposal to limit the Army to 2,500. George Washington, who was presiding, called someone else up to preside so he could speak against this. He didn't. He said he favored it, so long as the gentleman would accept a modification which limited any foreign force to 2,500.

TAE: Are you expecting further military cuts in Clinton's second administration?

MR. WEINBERGER: Yes, I'm afraid so. Unless he appoints someone who realizes these unpopular expenditures must be made, who is willing to stand up to him and try to turn him around. We haven't had that, with unfortunate results.

Of course, we could have a smaller military than we did at the height of the Cold War. But we could never have won the Gulf War if we didn't have the kind of military and the kind of new weapons that we had. When you give up research and development, you forfeit the new weapons that enable you to win wars with the smallest loss of life.

TAE: In your book—I know it's hypothetical—you see Japanese rearmament around the corner, even though you have praised the Pentagon's commitment to maintain a stable forward presence in the Asia-Pacific region.

MR. WEINBERGER: It's infinitely better for us to be forward deployed in Japan, infinitely better for the Japanese and for us. We couldn't live in a world in which Japan was overrun by a hostile, world-domineering entity.

It's conceivable that if things get bad enough for them, and we engage in a trade war and bash them every half-hour in a press conference, that they might get some strongly nationalist feeling. I don't think so. I think they've had enough of war. But new generations come along.

TAE: Should homosexuals be permitted to serve in the armed forces?

MR. WEINBERGER: No.

TAE: In your seven years as Secretary of Defense, did the matter of UFOs ever cross your desk?

MR. WEINBERGER: No. There was a lot of discussion about it from people outside the military.

TAE: The Roswell, New Mexico incident in 1947: Do you know anything about that?

MR. WEINBERGER: Just that that seems to be one of the more thoroughly witnessed situations that might have been something. Each reported episode is investigated, just as we examine each reported sighting of an American prisoner in Vietnam.

TAE: Do you believe there are any American servicemen being held against their will in Vietnam or Korea?

MR. WEINBERGER: We never found any indication of that at all. A few stayed behind voluntarily, but they were known.

TAE: Are we moving towards a borderless world in which national sovereignty is a myth?

MR. WEINBERGER: I don't think so. We're moving to a world in which it will be much easier to transmit information back and forth across the globe and much harder to stop it. I don't know that that's a bad thing. But I don't like the expanded European Union and the idea that all the old sovereignties will be dissolved and you'll have a single foreign policy and a single defense policy and a single currency.

Which isn't to say you can't make it much easier to deal across borders. I'm a strong believer in free trade; a lot of the new inventions and technical capabilities will encourage free trade, if there isn't a nationalist attempt to go back to protectionism.

TAE: Under the European Union, GATT, and NAFTA, laws made by democratically elected local governments can be overturned by a supranational body. Are we witnessing the beginning of a world government?

MR. WEINBERGER: There are a lot of people who want it. The size and shape of a loaf of bread is now dictated from Brussels, and violations are punished. This seems to be going much too far. Allowing non-elected representatives to run a formerly sovereign country is a great mistake.

TAE: Are human rights culturally relative or universal?

MR. WEINBERGER: Lee Kuan Yew in Singapore is a great exponent of the fact that his country and others, who are ready for the free market and participation in the world economy, are not ready for—indeed do not desire—equality or civil rights for all. He told me once that the trouble with you Americans is that you don't realize that there is evil and evil needs to be punished.

We need not be afraid of trying to demonstrate to the world the superiority of a country with civil and human rights. But we have to be a little careful in trying to impose our values in areas where they're not desired.

The size and shape of a loaf of European bread is now dictated from Brussels. This seems to be going much too far. Allowing non-elected representatives to run a formerly sovereign country is a great mistake.

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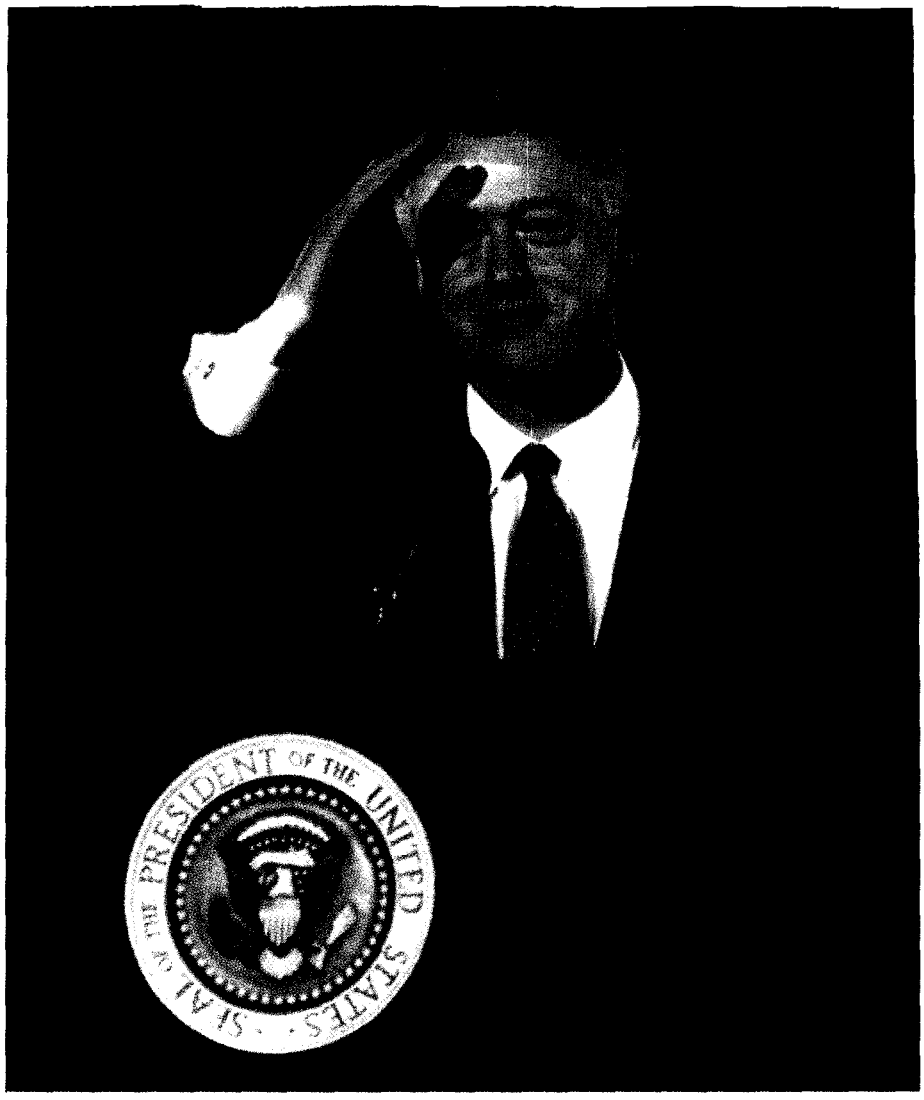

President Clinton at his Little Rock victory party.

AP/Wide World Photos/Ruth Fremson

The Election of 1996

...And Our Coming Choice Between Freedom and Entitlement

By Harvey Mansfield

The results of the 1996 elections were a relief for Republicans, who expected to lose the presidency and thought they might lose the Congress, and a disappointment for Democrats, who took a presidential victory for granted and hoped for more. There was satisfaction for neither party.

Republicans could be glad that the 1994 realignment of Congress in their favor was confirmed; that Bill Clinton, in order to win, had moved to the right; and that a referendum against racial preferences passed in California. Yet the partisan euphoria of 1994 for the Republican Revolution is gone, and the country remains under divided government. Americans, especially women, seem uneasy about cutting, much less abandoning, their entitlements.

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Despite the advantage of a popular President, Democrats made only small gains in the House and took small losses in the Senate; and the odds will be against them in the next congressional election. The advance of conservatism has left them as the party of the status quo, an uncomfortable situation for progressives even when they handle it skillfully, as Clinton has done. Divided government helps the Democrats' morale by providing limited victories, but it dooms their desires. Their plans become solely tactical, and they have delivered themselves over to a master tactician in Bill Clinton, whom they cannot admire and do not love.

To produce divided government, 15 percent of Clinton's voters crossed over to vote also for Republican congressmen. It's not clear whether this signifies moderation in the electorate—a desire to use the parties to check each other—or just an inability to decide. Party realignment as a whole remains an open question. Do Americans want a majority party or a stalemate?

Professional Wrestling

Before looking at the campaign we must revisit Clinton's comeback from his defeat in 1994, which was an almost unprecedented repudiation of an incumbent President. Many observers, including me, thought it would be a devastating blow to the President—but it wasn't. As with the Arkansas governorship and his quest for the presidential nomination in 1992, Clinton shook off defeat, though with devices and deceptions that infuriate his enemies and make his defenders wince. He is as courageous as he is shameless.

The liberal initiatives of his first two years having failed, Clinton turned to alternatives that could be billed as conservative, such as deficit reduction and crime fighting. He would not waste his courage in a losing cause. The bombing in Oklahoma City in April 1995, it is agreed, began his climb back into contention. A manic attack on the federal government seemed to suggest there was grave risk in the Republican revolt against big government, and so Clinton discovered the theme of extremism to describe his opponents, a name they helped to paste on themselves with the boast of making a revolution.

THE PRODUCT OF OUR SOCIETY OF ENTITLEMENTS IS LITERALLY "UNCONTROLLABLE" GOVERNMENT. UNCONTROLLABLE GOVERNMENT IS NOT SELF-GOVERNMENT.

Then, in the much-touted "train wreck" over the budget in late 1995, Clinton managed to make Congress alone bear the crash. Even though the shutdown of the federal government could have been prevented if Clinton had not vetoed their budget bills, Gingrich and the Republicans took the blame because they had said they were willing to see it happen. Later, on the campaign trail, Clinton was able to take credit for passage of the welfare reform act that he had mostly opposed and finally signed only after much hesitation. When nothing happens without the cooperation of two opponents, the political challenge is to take credit and lay blame—and every handclasp becomes a wrestling hold. Clinton proved the more adroit grappler.

Master Demagogue Beats Late Convert

So Clinton's victory over Bob Dole was prepared by his victory over Gingrich, a more formidable foe. And Gingrich had a head of steam, while Dole started behind. This should give pause to critics of Dole's campaign. Dole was inept but Clinton was superb. He had said in his January 1996 State of the Union speech that the "era of Big Government is over," but in the campaign he showed he could still use big government to his advantage.

The "era" is over because large projects such as Clinton's health plan of 1993 are no longer possible. But Clinton found that small increments of big government do not awaken hostility. He put forth a variety of measures, such as targeted tax cuts, education and "training" ventures, and a mandatory 48-hour stay in the hospital for maternities—each proposal innocently modest but adding a little to the size and especially the scope of government. He did not grandly sum up his proposals; he advocated only more caring, not more government. On the contrary, he even boasted of reducing government, all the while attacking the Republicans for trying to slow the growth of spending on Medicare, education, and the environment. The era of big government is over, but apparently it is extremism to want to reduce it even marginally. This was demagoguery but it succeeded.

Meanwhile, Bob Dole proved to be a poor campaigner. He is an honorable man but his honor did not loosen his tongue or broaden his mind. He made a 15 percent across-the-board tax cut the centerpiece of his campaign, yet he could not find a way through Democratic criticism and voter cynicism to make this attractive idea even palatable. He who had always stood for "responsible" deficit reduction now proposed a tax cut which, Clinton claimed, would "blow a hole in the deficit." We could trust "Bob Dole" because of his previous record, Dole insisted, even though his newfound enthusiasm for tax cutting was a departure from his 40-year record. This was not convincing.

What Dole Should Have Been Articulate About: "Entitlement"

Dole's failure was that he couldn't articulate the larger reasons behind his proposals, especially the tax cut. The main purpose of my tax cut, Dole should have said, is not to improve the economy or to leave more money in people's pockets—both worthy but lesser goals. The larger goal is to revive our constitutional form of government. To protect the Constitution and the self-government it provides, we must ensure that the government itself remains limited. When government tries to do too much, and the public sphere dominates the private, the result is a government too large to be directed by the people. Indeed, the product of our society of entitlements is literally "uncontrollable" government expenditures. Uncontrollable government is not self-government.

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The New Deal and the Great Society created our entitlements not only by passing laws and establishing bureaucracies but also by making us think that rights formerly exercised by individuals should instead be understood as entitlements that a caring government must supply. Such a society has proved to suffer from two profound flaws, financial and moral: It costs too much, and it makes the people—all of them, not just welfare mothers—dependent.

The essence of big government is to insure us against all risk, a task that goes far beyond "promoting the general welfare." But insurance against risk is an infinite goal that government does not know how to accomplish. Worse, if government could somehow render our lives care-free by caring for all our needs, its success would put an end to our freedom and virtue by leaving us with nothing to do. Even blundering attempts to minimize risk endanger freedom and virtue by first raising expectations and then producing cynicism when life's unhappy surprises remain.

In short, the worst failing of big government is the way it has harmed the working and reputation of our self-government. This is what the party of government, the Democrats, has done.

One clear sign that a society of entitlement doesn't work, that infinite goals have uncontrollable costs, is our chronic federal deficit. Yet our most pressing problem is not how to close the deficit but how to reform entitlements. Every deficit fix will be fleeting so long as the pressure to secure entitlements is maintained. By itself, deficit reduction doesn't get to the root of the problem.

But neither does a tax cut, one might object. True, but the positive counter-attraction of additional liberty and income is needed to balance the overweening desire for security, so that "reforming" entitlements (actually, shrinking and reducing them) does not appear harsh and authoritarian. Republicans should explain that more money in each citizen's pocket means more personal responsibility and better government. Republicans should be in favor of government *when it is limited.* And limitation has to do with control more than mere size. The best way to limit government is by principles, not percentage points.

Republicans should begin to specify what the federal government can do well. The need to provide voters with such clarifications explains why the libertarians the Republicans harbor, to say nothing of the militia movement, have cost the party more with the electorate than the Christian conservatives. While the majority of Americans agree with the Christian Right that something is wrong with our morality, they do not want to reduce government indefinitely. Just as the Christian Right has learned to speak more politically—compare Ralph Reed in the '90s with Jerry Falwell in the '80s—so Republicans must teach the libertarians that obese government, not all government, is the enemy.

These are things Dole could have said, but they also deserve study by many who called him "inarticulate" without saying what exactly it is that he should have articulated. The 1996 election suggests that conservative intellectuals still have some work to do.

For the First Time Ever, the Sexes Choose Different Candidates

The most remarked-upon feature of the election was the gender gap. The rates at which men and women voted for Clinton differed by 11 points. Even black voters, who favor Democrats overwhelmingly, showed the same 11 point gap between men and women. Men actually favored Dole by a point, so Clinton was elected by women—apparently the first time the sexes have chosen different candidates. (On the other hand, the House Republicans did noticeably better with women voters than Dole did.)

The presidential gender gap was especially large in the case of unmarried women: Unmarried women went for Clinton by 34 points, married women by five. (Among all married voters, both Dole and the House Republicans won a majority.)

It seems that women without husbands turn to government instead, inasmuch as surveys show that the gap comes not from feminist issues such as abortion but from women's predilection for caring, protective government.

Women, it appears, do not care for guns, violence, and conflict. They are turned off by partisanship: What men call a fight, women call a quarrel; what is argument to men is bickering to women. Women vote slightly more than men (in 1996 they were 52 percent of the voters), but they participate less in the heat of debate. A recent book-length study finds they have less knowledge of national politics than men, perhaps in the same way that, for lack of interest, they would also be less able to identify outstanding players in sports.

How strange that women seem to carry with them into politics the very stereotypes of tenderness they renounce when they leave home. Perhaps the stereotypes still capture something of the "essential" woman. Women did reject one stereotype in the 1996 election: their role as enforcers of morality, a role the suffragettes had once claimed they would fulfill. In women's eagerness to elect Clinton as father-protector (the role for him that feminist author Naomi Wolf reportedly urged on Dick Morris), they overlooked his reputation as a seducer. Of course, governmental caring may be "morality" of a sort, but it is the kind of morality that cares little for morals.

Dole was aware of the gender gap and struggled to overcome it. His party turned its convention into a festival of disabilities whose victims somehow managed to prevail without government help. But these Republican victims were not as convincing as the Democratic ones who followed and explained how grateful they were to government. The desire to maintain entitlements is the Democrats' version of conservatism.

With their appeal to women, and to black and Hispanic voters, Democrats may be reaching toward a new version of Jesse Jackson's Rainbow Coalition. This one would be founded on women rather than blacks, and it would avoid the divisive, puerile leftism characteristic of Jackson's attempt. This bloc would keep the idea of big government but, recognizing its defects, try to moderate its practice—as Clinton did after 1994, abandoning large commitments and continually offering small favors. Such a government would be as caring as an absent parent, as loving as an indulgent nanny.

Public Life and Private Life

To counter the menace of government-as-nanny, Republicans need to encourage women to be more accepting of risk. Taking

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a point from their religious conservative wing, Republicans should also remind men that male irresponsibility and abandonment often create in women the appetite for security that big government claims to satisfy.

Republicans must warn against tipping government too far toward caring and "compassion" at the expense of freedom and personal responsibility. They should point out that confusing the qualities desirable in private life with the qualities necessary to public life can be dangerous. They should note that caring within the home and risk-taking outside of it are both important; the key is to avoid confusing the two qualities (as the feminist slogan "the personal is political" does). Bringing family-like intimacy into politics is pretentious and oppressive.

Limited government cannot survive if we fail to cultivate the distinctions between the public and private spheres. *Vive la différence!*

You Can't Beat Something with Nothing . . .

Government does too much. Republicans must make clear who needs to do more.

Washington overflows with talk of bipartisanship these days. The president has even resurrected the phrase "vital center," which Arthur Schlesinger coined 48 years ago to describe the common ground between communism and fascism. Mr. Schlesinger, who calls himself "an unrepentant and unreconstructed liberal," has expressed concern that the phrase is being reduced to nothing more than "middle of the road."

As an unrepentant and unreconstructed conservative, I share his concern. The middle of the road is indeed strictly for yellow lines and dead armadillos.

Henry Kissinger, celebrated seeker of the common ground, recently gave the best reason it is not all it is cracked up to be. Leadership, he said, is "about moving a people from where it is to where it has never been."

Common-ground politics is about keeping the nation where it is and protecting the status quo. Moving a nation to where it has never been is hard work. It requires, among other things, challenging our social complacency and awakening a sense of social responsibility about the collapse of our inner cities, the squalor of our schools, and the violence on our streets and in our homes.

Bill Clinton has chosen instead to present himself as the custodian of the era of good feelings. By mimicking Ronald Reagan's "morning in America" rhetoric, Mr. Clinton succeeded in moving the number of Americans who believe the country is on the wrong track from 67 percent in August to 51 percent in October, according to an ABC news poll. Keep on trucking, stay the course, build the bridge was the message, with big government solutions replaced by boutique government solutions—smaller, quainter versions of the original, adding up to the same thing. The benevolent nanny state caring for soccer moms became the only alternative to dismantling big government. And you just can't beat something with nothing.

The Republican Party has two options. It can go along—quibbling with the Democrats over deadlines for budget goals that will never be met anyway—or it can rise to the unique opportunity to define the new center of American politics.

On November 5, exit polls confirmed that 52 percent of voters think government is "just doing too much." But this will remain a fragile realignment until Republicans make it crystal clear who needs to do more.

Imagine if Copernicus had come out and announced that the Earth is not the center of the universe and then left it at that, without mentioning the sun. It would have been a woefully inadequate world view from which to devise new maps and change the laws of navigation.

Republicans need to unambiguously identify the new center around which the solutions to our problems will revolve—a revitalized civil society, with citizens caring for each other, communities that sustain those most vulnerable, and strengthened civic institutions.

Republicans can certainly cooperate with the Ptolemites—those clinging to the old order they now call common ground. They can let them look through their telescopes and show them their new maps. They can be civil and make nice. But what they cannot do is say: "OK, for the sake of civility and bipartisanship, we'll keep on acting as if the Earth is at the center, and we'll split the difference."

America has not arrived at the "middle of the road" but at a fork in the road. We need to choose between a path built by government—big, boutique, or reinvented—and one built by reconnected citizens and restored communities.

Perhaps instead of just quoting its title, champions of bipartisanship should actually read Mr. Schlesinger's *The Vital Center*. It provides a startling measure of how far we have come along the road to a monolithic, government-centered view of the world, and how much we have forgotten on the way. "The hope for free society," he wrote, "lies, in the last resort, in the kind of men it creates." And he added: "The social welfare state is not enough. The sense of duty must be expressed specifically and passionately in the hearts and will of men, in their daily decisions and their daily existence."

Mr. Clinton took Mr. Schlesinger's "vital center" and shrunk it to his mushy middle way. The Republicans, instead of joining in, should find, borrow, or steal the passionate intensity to redefine a vital center that will hold.

Arianna Huffington chairs the Center for Effective Compassion and is a nationally syndicated columnist.

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FORGET THOSE MILQUETOAST PROPOSALS FROM ROSS PEROT AND RALPH NADER. HERE ARE SOME IDEAS FOR

REAL POLITICAL REFORM!

Institute Single-Sex Voting

By Kate O'Beirne

An autocratic surgeon and father of six once explained to me that in his family he was in charge of the big issues—the national debt, peace in the Middle East, and the balance of trade, while his wife handled the little things—where they lived, where the children went to school, and with whom they socialized. It is time to adopt a similar division of labor in politics: Only men should vote on the national level, while local and state voting should be restricted to women.

This year, in state after state, women voters defeated the candidates men preferred, despite women's well-documented lack of knowledge and interest in national politics. The gender gap in voting patterns is matched by a 50-year-old gender gap in the level of political knowledge between men and women. Surveys show that at all income and education levels, women know (and care) far less about national politics and issues than men do—yet are better informed about politics at the local level. To their credit, women rationally decide to devote their time and attention to that which is most important, the institutions that most directly affect their families' lives. Women aren't going to waste their precious time weighing the appropriate funding for the B-2 bomber when Junior has a book report due on *Heather Has Two Mommies.*

As part of my proposed reform, conservatives should re-double their efforts to return more governmental authority to the local level, thereby devolving responsibility to women who are more concerned about the quality of schools, neighborhoods, and communities than men are. Let men indulge their vanity and engage in the political equivalent of professional wrestling by fighting among themselves over telecommunications reform, while women assume the responsibility for shaping government at the level that most directly touches our lives. Women might not mind having Bill Clinton as President, but you can bet he wouldn't get the female vote as local chief of police.

Kate O'Beirne is Washington editor of National Review.

Allow Only Homegrown Money. . .

By Bill Kauffman

Every six years Senator Jesse Helms (R-N.C.) and his opponent (the name is unimportant: for fund-raising purposes, he is simply the Anti-Helms) go trawling for dollars in waters distant from North Carolina. Their campaigns are largely funded by out-of-state political action committees and the chronic meddlers who write a check (and call it civic virtue) every time a piece of junk mail warns them that (A) the commies/homos/secular humanists are coming, or (B) the Newtoids/Bible-thumpers/philistines-incapable-of-appreciating-the-art-of-Robert-Mapplethorpe are at the gate.

Thus the campaigns of Senator Helms and the Anti-Helms are financed by tinsel-town sybarites and members of the Anti-Sex League, by Georgetown matrons and computerized-mail scam artists—everyone but actual live North Carolinians. And yet, unless you are a citizen of North Carolina it is none of your damn business which rascal the Tarheels send to represent them in Washington.

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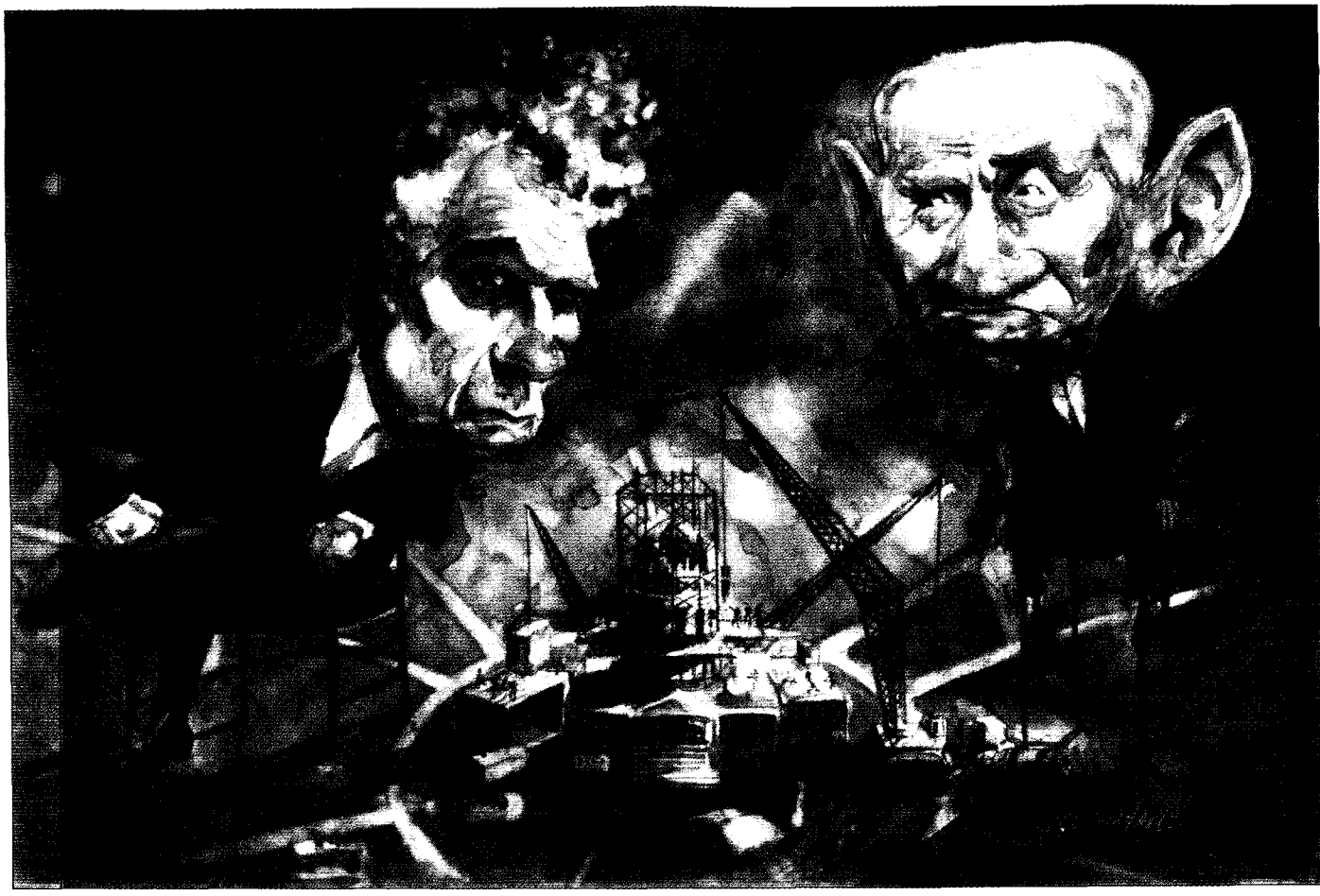

illustration by Nick Gelifianakis

The only campaign finance reform radical enough to make a difference would require that House and Senate candidates raise their funds *only* from citizens living in the area they want to represent.

This would tether our legislators to a short leash: no longer could they go prancing off to Manhattan, Los Angeles, or northwest Washington, D.C. (by far the three largest sources of individual donations, and perhaps also the least Middle-American places in the continental United States) to trade promises for pelf.

Organized interest groups would not disappear, of course, but only those that speak for a dispersed and numerous constituency (the National Rifle Association, the unions, etc.) would remain national forces. Sure, some political harlots whose votes are for sale might still end up in the pocket of a district's major industry, but I'd rather have my representative be indebted to dairy farmers and boiler manufacturers than to Barbra Streisand, Pamela Harriman, or Philip Morris.

Bill Kauffman is an associate editor of TAE.

ONLY MEN SHOULD VOTE ON THE NATIONAL LEVEL, WHILE LOCAL AND STATE VOTING SHOULD BE RESTRICTED TO WOMEN.

. . . or Get Rid of All Money Limits

By Steve Hayward

The futility of campaign finance "reform" resembles the proverbial toothpaste tube: Pinch it in one spot, and it will swell up some place else. So long as the First Amendment guarantees free speech, no system of limiting contributions or spending can prevent individuals and organizations from trying to influence elections. Even if all campaigns were completely publicly financed, private interests would run their own independent campaigns on behalf of the candidates they favored. No campaign finance law can restrain Americans from spending millions on "issue education," as the labor unions did in 1996.

Rather than limiting special interest influence, previous campaign finance "reforms" have had the opposite effect. Campaign finance regulations have turned politics into an insider's game. More detailed restrictions will only magnify the influence of groups armed with lawyers and finaglers.

Government regulation of politics has the same defects as government regulation of businesses. Following the lessons of our age, we should deregulate politics as we have recently deregulated markets. We should remove all donation and spending limits, and require only full, immediate disclosure of every contribution and expenditure, with stiff penalties for false reporting. Larry Sabato and Glenn Simpson have the right idea in their book *Dirty Little Secrets:* "Let a well-informed marketplace, rather than a committee of federal bureaucrats, be the judge of whether someone has accepted too much money from a particular interest group or spent too much money to win an election."

One final point: If the government didn't control so much of our economy,

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there would be no reason for so much money in elections. Real political reform also consists of shrinking the size and scope of government.

Steve Hayward is vice president of the Pacific Research Institute.

Increase the House to 2,000 Members

By Eugene McCarthy

The drafters of the Constitution believed in representative government. That's why they established constituencies of only slightly more than 30,000 persons for each member of the House of Representatives. The Founders worried that even these districts were too large.

Today, the average congressional district is home to about 600,000 people.

In Japan, each national legislator represents approximately 238,000 people; in Germany the ratio is 1 to 120,000; in France, 1 to 96,000; and in Britain, 1 to 87,000.

To make the House the respected and representative body it was meant to be, the number of constituents in each district should be reduced to something like 100,000 persons, with a corresponding increase in the number of House members.

The resulting membership of more than 2,000 would not be unmanageable. It would require organization similar to that of the British Parliament, with strong committees of limited size. Modern electronic technology could make orderly voting and other participation possible. After all, major-party conventions have delegates running into the thousands, and the Vatican Councils of the 1960s managed to handle voting and other procedural matters for more than 2,000 bishops and cardinals.

Eugene McCarthy served in both the U.S. Senate and the House.

Send the Supremes to Kansas...

By Robert P. George

One simple reform with profoundly beneficial results would be to relocate the United States Supreme Court. Not simply out of its present grandiose quarters—although once the justices cease dwelling in a Greek temple, it may be easier for them to overcome the temptation to see themselves as Olympian in power and Delphic in foresight. Move them out of D.C. altogether, to the heartland of America, a small town on the Great Plains like Mule Sweat, Nebraska, or Periwinkle, Kansas.

Such an environment would be a bracing tonic for the justices. Let them see a slice of Real America. Let them justify their decisions at the local diner and the feed and seed store instead of at society dinner tables in Georgetown. Let them explain to Zeke at the barbershop and Martha at the five-and-dime the source of constitutional rights mentioned nowhere in the Constitution. The breadth of the prairies may also instill a salutary sense of proportion and humility. The justices will still have room to "grow" out there, alas, but at least it will be in a refreshingly wholesome atmosphere.

Robert P. George is an associate professor at Princeton University.

IT IS THE COURTS THAT ARE ACTUALLY DEPRIVING US OF OUR MOST PRECIOUS FREEDOMS.

...And Let Congress Curb Their Excesses

By Robert H. Bork

On a broad range of issues, the courts have usurped the powers of the people and their elected representatives and effectively legislated a liberal agenda that lacks majority political support.

I see only one means by which the federal judiciary can be brought back to constitutional legitimacy: providing a democratic check on the power of judges. One possibility would be a constitutional amendment making any federal or state court decision subject to being overruled by a majority vote of both houses of Congress. That mere suggestion is certain to bring cries that this would endanger our freedoms. Yet it is the courts that are actually depriving us of our most precious freedoms, particularly the freedom to govern ourselves democratically unless the Constitution actually says otherwise.

This suggestion fits in a long tradition of seeking ways to tame judicial power so that it achieves democratic legitimacy. Robert LaFollette, if I recall correctly, proposed amending the Constitution to allow the Senate by a two-thirds vote to override Supreme Court decisions.

Learned Hand, considered to be America's premier appellate judge, was nearly apoplectic at the Supreme Court of his day. Hand insisted that judicial self-restraint and popular control of the courts were essential: "One or the other is a condition of democracy."

Robert H. Bork, John M. Olin Scholar in Legal Studies at the American Enterprise Institute, is the author of Slouching Towards Gomorrah.

Give Businessmen the Same Privileges as Union-Bosses

By Kenneth R. Weinstein

Poor Simon Fireman. Rather than quietly following his peers into retirement, this 71-year-old Boston maker of inflatable swim-gear became vice chairman of finance for Bob Dole's presidential campaign. In the process, the noted philanthropist earned six months' home confinement and $6 million in fines.

His crime? Giving $1,000 apiece to 35 of his employees and their spouses, which they in turn were to donate to the Dole campaign.

This winter, as Fireman scampers about his house with an electronic monitor attached to his ankle, he might justly

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wonder why John Sweeney, president of the AFL-CIO, isn't bound or shackled.

Sweeney's campaign spending—somewhere in the range of $20 million for radio and TV ads alone—dwarfed Fireman's relatively paltry sums. And whereas Fireman politely covered the costs of his employees' donations, Sweeney rudely reached into his rank-and-file's pockets without even asking to make them pay for his "voter education project."

What do labor bosses have that swimming-paraphernalia tycoons don't? The National Labor Relations Act—which effectively makes workers pay union fees as a condition of employment in any unionized business in 29 states. After exacting dues ostensibly to pay for collective bargaining, unions then use these funds for all sorts of other objectives, including politics.

In its 1988 *Beck* decision, the Supreme Court ruled that union members are entitled to a refund of the portion of their dues used for purposes other than on-the-job representation. But that ruling, unlike the federal campaign laws that ankle-cuffed Fireman, goes unenforced by President Clinton's National Labor Relations Board.

If labor bosses refuse to return to their proper role as collective bargaining agents, maybe we ought to level the playing field between the Sweeneys and the Firemans. Let's let bosses of all kinds—not just the union variety—dock paychecks for political donations as a condition of employment. If we did, organized labor's politicos would drown so quickly that even all of Fireman's inflatable devices couldn't save them.

Kenneth R. Weinstein is director of the Government Reform Project at the Heritage Foundation.

Repeal the Two-Term Limit

By Peter Augustine Lawler

Our Constitution's Twenty-second Amendment, limiting the President to two terms, was initiated by Republicans arguing that FDR's unprecedented four terms had made the presidency dangerously personal and powerful. By the time of Reagan's re-election in 1984 most Republicans had changed their tune, but the time was hardly right to solicit Democratic support for the amendment's repeal.

AFL-CIO PRESIDENT JOHN SWEENEY RUDELY REACHED INTO HIS RANK-AND-FILE'S POCKETS WITHOUT EVEN ASKING

The Framers gave the President "indefinite re-eligibility" to force Congress to respect the possibility of his enduring power. Indefinite re-eligibility also keeps an ambitious President dependent on the people, requiring him to continue to earn electoral approval.

The Twenty-second Amendment was, I believe, an important factor in Reagan's disappointing and Nixon's disastrous second terms. I also see why voters chose a first-term Clinton over a second-term Bush: What little energy and direction Bush's administration did have came from aiming at re-election.

Similarly, Clinton's second two years in office were far better than his first two mainly because preparing for his 1996 campaign forced him to come up with a more moderate set of policies. The ambition to win elections, far more than political convictions or even the desire to wield power, checks Clinton's most dangerous qualities and stimulates his best ones.

Besides, suppose 2000 ends up being much like 1996. The economy is strong, the President remains relatively untouched by scandal, and the Republicans put forth another inarticulate, uninspiring nominee. Wouldn't a third term for Clinton in his reborn conservative form be far preferable to the more ideological alternatives, Gore and Gephardt?

Peter Augustine Lawler teaches at Berry College, Georgia.

Bust Ghost-Writers

By Allan Carlson

I call for a ban on ghostwriting of speeches and candidate statements during all electoral contests.

It has become all but impossible to identify the true beliefs of candidates on the campaign trail. This is because we have policy teams who use focus groups and polls to develop ideas, which are turned over to speech-writers for translation into simple English, who in turn give the results to the candidate to read before the camera. No wonder our politicians tend to resemble "The Mary Tyler Moore show's" hapless anchorman, Ted Baxter.

We also have the spectacle of pundits dissecting political speeches to discover who actually created this or that idea or turn-of-phrase. Political commentary has become a branch of literary criticism.

In recent history, only candidates Pat Buchanan and Alan Keyes have actually written all of their own campaign speeches. Whatever one might think of their ideas, it seems no coincidence that they were the only candidates in 1996 to generate any real enthusiasm out on the hustings. Rally attendees understood that they were men with ideas of their own that they could articulate themselves.

Politicians need to think and explain themselves clearly. "Ghosts" get in the way of direct democratic communication with the people. It's time to exorcise them from our haunted politics.

Allan Carlson is president of the Rockford Institute.

Change the Election Calendar

By Michael Barone

Our current election schedule is one of the worst in the world. Voting takes place in the dark and cold. Then the transition to new officeholders is interrupted by the Christmas holidays. Finally, the nation's major outdoor civic festival, the presidential inauguration, takes place on January 20, one of the coldest days of the year.

Why can't we hold the presidential primaries and caucuses at the same time

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we do now, but then stage the general election around early May? (Some conservatives would prefer April 15.) The new government can take office just after the Memorial Day weekend and stay in until the Fourth of July, then reconvene for a budget session after Labor Day. Conclude by Christmas, and keep Congress adjourned most of the first six months of the year.

Lamar Alexander had the right idea: Cut their pay and send them home.

Michael Barone is co-author of The Almanac of American Politics.

Make Voting Harder, Not Easier

By Arianna Huffington

Every presidential election (even the ones that aren't deathly boring) produces hand-wringing editorials about low voter turnout. In an issue on newsstands the day before the election, *Newsweek* devoted several pages to suggestions on how better to herd reluctant citizens into voting booths. The recommendations varied, but their assumption was the same: Public apathy is threatening the very foundations of representative government.

But worrying about voter turnout puts the cart before the horse. Theoretically, voting is an informed choice—distinguishable from other forms of selection like flipping a coin or playing "eeny, meeny, miney, mo." Unfortunately, most people are as uninformed about politics as I am about college basketball. When the average Joe literally doesn't know his congressman's name (to say nothing of the representative's position on the issues), why are we worried that Joe won't tell us whether he thinks the congressman deserves another term in office?

Voting is a right that carries responsibilities. And low voter turnout and high voter ignorance are symptoms of the same disease: the atrophy of civic society. Surely, strengthening anemic civic responsibility is more important than stuffing additional warm bodies into voting booths.

I PROPOSE A MINIMUM AGE OF 65 FOR NATIONAL OR STATEWIDE ELECTED OFFICE. AT A STROKE YOU'D SOLVE ALL THE MOST PRESSING POLITICAL PROBLEMS OF THE MOMENT.

My solution: Make voting contingent upon the completion of a certain number of hours of community service. Conservative Republicans might be sent to baby-sit for welfare moms trying to make the transition to workfare. Liberal Democrats could be put to work in local offices of government bureaucracies, fielding complaints from small business owners struggling to comply with burdensome regulations.

The immediate effect of this "eat your vegetables or you won't get to eat more vegetables" proposal would probably be to reduce participation even further. But it would be a psychologically crucial first step in re-establishing the link between the rights we enjoy and the responsibilities that accompany them.

Arianna Huffington is a nationally syndicated columnist.

Keep Whippersnappers Out of Office

By Mark Steyn

When Bob Dole failed to take out that bridge to the twenty-first century and nose-dived into the deep, he took virtually every other older American with him. Next time, no party will let a septuagenarian anywhere near the nomination.

In poll after poll, 38 percent or 53 percent or 89 percent said Bob Dole was "too old to be President." I suspect if you'd prodded you'd have found that "too old" was code for "can't make a coherent speech" or "Beltway insider" or "not as telegenic as Rachel from 'Friends'" or (to use his own catchphrase) "whatever." The age question was a convenient catch-all and became Dole's chief characteristic. President Clinton's trademarks are cheatin' and eatin', but no polls asked, "Is Bill Clinton too fat to be President?"

The problem wasn't old guys, but this particular old guy. Old guys get elected all over the world. Who's the President with the highest youth appeal today? The face that launched a million T-shirts? The world's hippest head of state? Nelson Mandela—who's years older than Dole.

Our real risk is not leaders who are too old, but rather that Clinton and many other politicians are too young. I'd like to propose a minimum age of 65 for national or statewide elected office. At a stroke (if you'll pardon the expression), you'd solve all the most pressing political problems of the moment. There'd be no need for term limits, since the Good Lord would set his own. The whole notion of "career politicians" would disappear: You'd have to serve your society some other way before running for office. There'd be no defeated or disgraced politicians to start doing dodgy lobbying work (do you realize we'll have ex-President Clinton around for maybe 30 or 40 years?). There'd be less political sex (or, anyway, shorter political sex).

A minimum age of 65 would also reverse the descent of politics into just another form of television celebrity—perhaps the worst trend of recent years. Further, the minimum age would reduce our budgetary burden by providing many jobs as governors, senators, and congressmen for older citizens, a depressing number of whom are currently welfare addicts. Oh, and finally, the era of big government really would be over, since most seniors like to have a nap after lunch, and maybe get in a round or two of golf.

Mark Steyn is theater critic of The New Criterion *and movie critic of* The Spectator.

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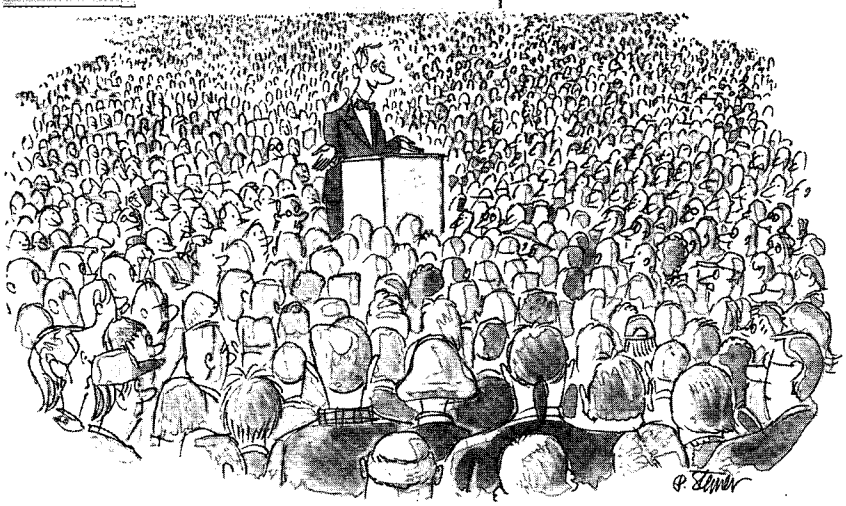

"My fellow victims..."

Drawing by P. Steiner; © 1996; The New Yorker Magazine, Inc.

Racial Preferences Just Died

What Comes Next?

By Michael Barone

The days of racial quotas are numbered. Every year, the absurdities multiply: the student with the expensive private-school education whose mother was born in Mexico enjoys preference over a low-income Pennsylvanian; white working-class kids are shunted aside for children of immigrants from Asia or Africa. Then there are the serious controversies now breaking out at government statistical agencies over definitions of race. As intermarriage produces children of mixed identity, the difficulties of minority classification will force administrators to either adopt something like the old South African system of color rankings or else allow anyone to claim minority status.

More concretely, the courts have recently started outlawing preferences in college admissions, job promotions, and congressional districting. And California's recent passage of Proposition 209—also known as the California Civil Rights Initiative or CCRI (see page 39)—paves the way for additional bans on quotas and race preference in other states.

Rather suddenly the group allotment, the set-aside, the whole reverse-discrimination process of selecting by skin color has been transformed from official policy to illegal behavior. So how do we handle race now?

There are two well-developed models for us to learn from. One is the experiment that has been carried out in American universities over the last generation. The other is the American military model. The two paths could hardly be more dissimilar.

The universities' performance, documented by Roger Kimball, Richard Bernstein, Dinesh D'Souza, and others, has been shameful. Since the late 1960s, universities have used racial quotas in admissions to the point where some schools have almost no overlap in test scores between blacks and other students. This is naked racial discrimination, and it promotes more racial discrimina-

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tion. For despite administrators' attempts to disguise what they are doing, everyone knows that blacks (and in some places Hispanics) are admitted while better qualified whites and Asians are kept out.

A stigma of inferiority, deserved or not, attaches to every member of the supposedly benefited group. So members of that group do what I suppose any of us would do: They secede, create black studies departments, insist on special dormitories, dining tables, TV lounges (a demand of some black students at Yale Law School when I was there in 1968). In the name of racial diversity the universities have produced racial segregation. Amidst the young people who will lead the nation in the future they have created an environment of racial tension and suspicion.

The obvious lesson from the universities is that racial quotas are bad. The ordinary voters of California who supported CCRI clearly had better judgment than the corps of elites—university administrators, corporate functionaries, editors and reporters—who opposed it. University quotas have increased only the self-satisfaction of administrators, who preen themselves on how many minority students they have admitted (no matter how few of those kids ever graduate). But in addition to stigmatizing their intended beneficiaries, quotas foster a sense of entitlement that runs directly contrary to the spirit enlivening free institutions and free markets. A free society stresses what its individual members can contribute by their own efforts; it does not treat groups of people simply as victims who have little to give and must instead be given to.

GO ARMY. NOT IVY.

The military handles race much better. And it does so with persons who are less likely to be among the nation's top test-scorers, persons who often hail from quite unsophisticated backgrounds.

Our best guide to the military's experience with race is Charles Moskos, a sociologist at Northwestern University. His latest dispatch, written with John Sibley Butler, is *All That We Can Be: Black Leadership and Racial Integration the Army Way.* Moskos and Butler point out that our armed forces, and especially the 27 percent black Army, are the one part of American society where blacks routinely give orders to large numbers of whites. Racial slurs are extremely uncommon. Personal relations across racial lines are as friendly and easy as in any part of American society—far better than on privileged campuses.

The military does not achieve these results by ignoring race, Moskos and Butler argue, but by paying intelligent attention to it. "The Army is not race-blind," they write, "it is race-savvy." The Army spends generously, not on racial sensitivity classes, but on black education: Discipline, not therapy, is the rule. It sponsors a post-high school prep school at Fort Monmouth, New Jersey, where blacks graduate at the same rate as whites and where their SAT scores go up 120 points. And it does not tolerate racial bias: "An officer's failure to maintain a bias-free environment is an absolute impediment to advancement in a military career."

Officers making promotions are graded in part on whether they promote a proportion of blacks similar to that at the rank below—which sounds like a quota. But if they can provide any good reason for not doing so, they are off the hook; most universities and many corporations lack any such policy of reasonable exceptions. The Army makes it clear it wants to promote blacks, but only those who have can do the job as well as anyone else. It replaces the claim of entitlement with a results orientation: If you work and produce and meet the standards set for everybody, you can rest assured no racial discrimination will hold you back.

Skeptics reply that the military is not a useful model for the rest of society because it is a command organization. But obedience to command is not automatic. Anyone familiar with the troubled military of the 1970s and the much superior military of the '90s knows that command organizations can operate in very different ways and that effective authority is not automatic but earned. The lesson the military teaches is that American society should not grant entitlements to the underprivileged but instead should make special efforts to teach them, all the while insisting on equal standards and equal results for equal performance.

Writing in *The New Republic* in support of the CCRI, black Boston University economist Glenn Loury backs a similar policy. "What is wrong," he asks, "with employers and schools seeking greater black participation by holding up a common standard of excellence while making a concerted effort to enhance black performance?" Moskos and Butler show that the military has figured out ways to do exactly this.

One other example of how we might treat race in this country in the future comes from the historical tradition of ticket balancing as practiced by old-style political bosses. In New York City from the 1930s through the '60s, tickets for the top three citywide jobs usually included an Irishman, an Italian, and a Jew, with a black running for Manhattan borough president. Exceptions could be and were made for special individuals: Robert Wagner, Irish on his mother's side and German on his father's, was elected mayor three times, twice with Abe Stark and Lawrence Gerosa, once with Paul Screvane and Abraham Beame; Fiorello LaGuardia was elected three times even though few voters shared his particular background (half-Italian, half-Jewish, Episcopalian, running as a Republican and a Socialist).

Though there was an effort to represent the main demographic groups in the city, neither the administrators nor the beneficiaries of the balanced ticket made any claim of entitlement. On the contrary, the bosses were a bit shamefaced about what they were doing. They took pains to stress everyone's Americanness, insisting that each ticketmate was there because of his qualifications and not his ethnic origin. This is not a bad compromise.

America, in short, should be less race-minded, but more race-savvy. Race is not irrelevant, but it must never become a trump card. The often-vicious tactics of quota defenders mustn't blind opponents of quotas to the needs of others. We should be more not less active in reaching out to underprivileged blacks and others—but by energetically helping them and requiring them to do the work that will earn them a seat at the table, not by giving them a claim to a seat as a matter of right. The Army with its All That We Can Be, and perhaps the old political bosses with their balanced tickets, can help show us how.

Michael Barone is a regular contributor to The American Enterprise.

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The Battle Over the CCRI

a report from the front

By Dinesh D'Souza

In mid-October, I was at San Francisco State University debating the California Civil Rights Initiative (CCRI), the ballot proposition just passed by Californians to end state racial preferences. About halfway through my opening statement in favor of the measure a loud voice bellowed, "Stop!" An enormous bespectacled white woman came stomping down the center aisle. "We don't need a debate!" she shouted. "Debates are part of the problem. We have to mobilize against Prop. 209 now!" She continued her filibuster, and eventually two panting campus policemen dragged her out of the room. Yet she refused to go quietly, yelling, "I am a victim of censorship! *No on 209.*"

The next week I was at UCLA, debating law professor Jerry Kang, an Asian-American activist. Throughout the evening my remarks were disrupted by a pony-tailed American Indian wearing what seemed like a forest of political buttons. No matter how innocuous my comments, he found a disturbing likeness to Hitler. If I mentioned the color-blind principle, he would erupt, "That's just what Hitler thought." On one occasion I quoted Socrates. "He was the guy who inspired Hitler!" came the shouted rejoinder. Keep this up, I thought, and you'll give Hitler a good name.

A few days before the election, I was in Stanford's Memorial Hall to debate Jesse Jackson. I started my remarks by admitting, "I don't have the Reverend Jackson's silver tongue, so let me just tell you how racial preferences actually work, what their consequences are, and how we can develop alternatives to them." When Jackson said that affirmative action was simply a mechanism for "opening doors" to those who were "locked out," I replied, "That's fine, but at Berkeley every time the college administration gives a seat to someone they have to turn someone else away. When the state of California awards a contract to one applicant, it is forced to reject other applicants. Undoubtedly affirmative action opens doors for some blacks and Hispanics, but it also closes doors for many better-qualified whites and Asian Americans. We have to find a just basis for deciding who wins and who loses."

Jackson scored points invoking the glory days of the civil rights struggle in the 1960s. But what struck me was that even this liberal audience at Stanford was divided right down the middle. "If CCRI is polling 50 percent here," I thought, "it has a chance."

At the University of Southern California, I crossed swords with law professor Erwin Chemerinsky. Again, the audience was split. Conceding the excesses of racial preferences, Chemerinsky argued that preferences were vitally important to white women. If so, I replied, that's the best reason I've heard for ending preferences. Americans supported or at least acquiesced in affirmative action in the 1960s to compensate blacks for a specific set of historical crimes—slavery and segregation. How ironic and tragic, I said, that preferences have been extended to groups that have no comparable history of dehumanization and extreme suffering.

CCRI was a risky gambit for conservatives. If the measure won, it would be a resounding affirmation of equality of rights under the law. But if it lost, the message would be that affirmative action was popular, and all sensible reform would be postponed indefinitely. A powerful constellation of forces opposed it—the White House, major California politicians, Hollywood, many company heads, virtually every college president, almost all newspapers and TV stations.

Nonetheless, CCRI, understaffed and underfunded, won by a decisive 54 to 46 percent, about the same as Clinton's margin over Dole. One reason was the eloquence and dignity of African-American businessman Ward Connerly, who braved charges of being a race-traitor and a "house slave" to spearhead this principled cause. Conservative groups like the Claremont Institute and the Pacific Research Institute performed a valuable public education role. And after much hemming and hawing, the Republican Party offered some assistance with advertising funds.

But the main reason CCRI passed is its moral clarity. It simply decrees that the state cannot discriminate against, or grant preferences to, any individual or group on the basis of race, gender, and national origin in public hiring, public college admissions, and public contracting. The language is modeled directly on the Civil Rights Act of 1964, with "discrimination" defined to include race- and gender-based "preferences."

Opponents had the difficult job of convincing voters that the color-blind principle extolled by Martin Luther King was now camouflage for racism. The ads against CCRI were aggressively designed to make this case; they featured church burnings, cross-burnings, and David Duke. And they had an effect: Hispanics, who previously supported the initiative, turned against it by two to one. Black opposition, once tepid, intensified. Even the Asian-American vote was divided. But the white women's vote didn't materialize for the opposition, and CCRI carried all of California except the Bay Area.

Many challenges lie ahead. Opponents are now attacking the measure in the courts. "After crossing the mountain...more mountains," goes the Tibetan proverb. When the dust settles, however, California's rejection of government racial preferences may turn out to be the most important single verdict of the 1996 elections.

Dinesh D'Souza, John M. Olin Scholar at the American Enterprise Institute, is author of The End of Racism.

Text of the recently passed CCRI:

"The state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting."

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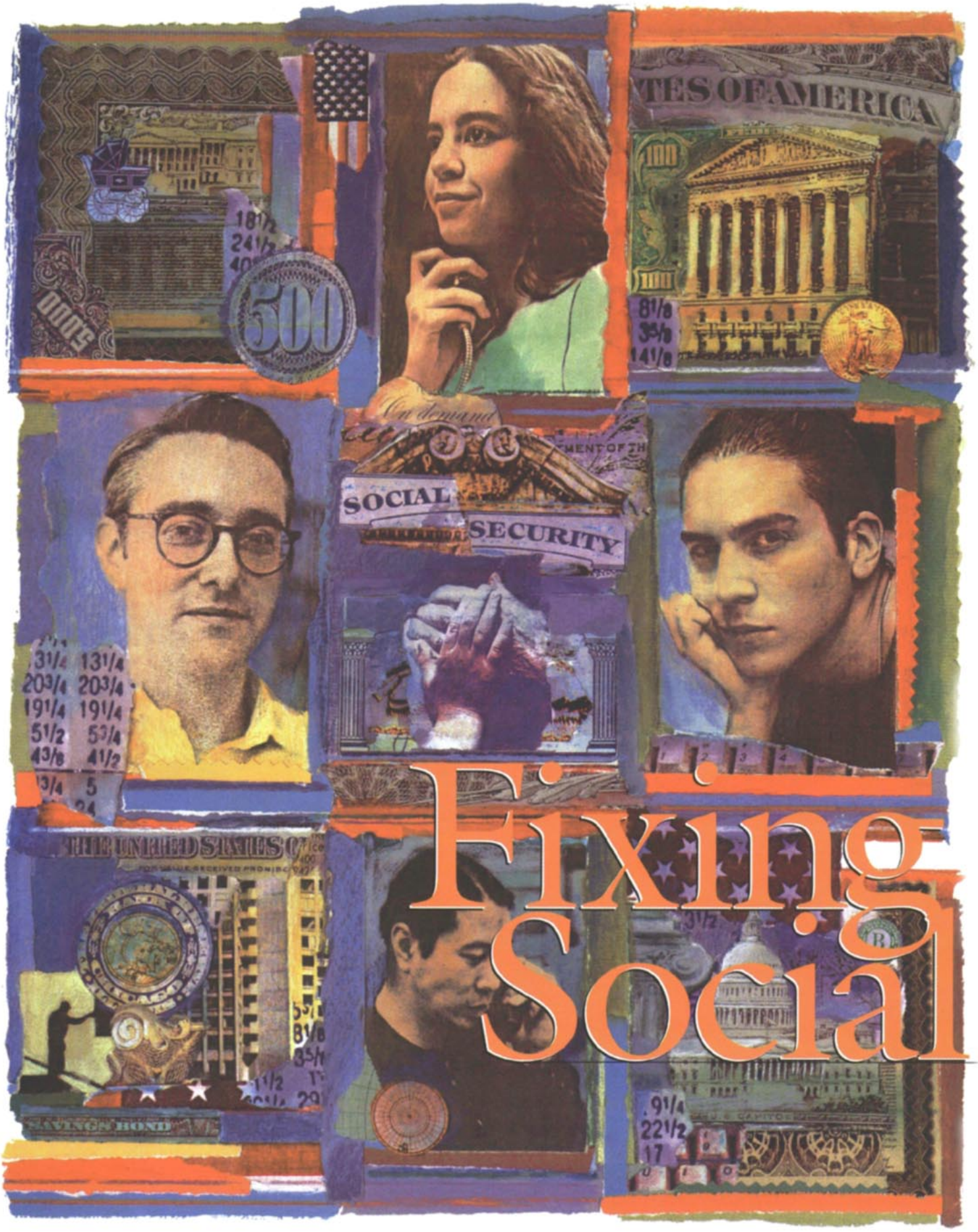

Illustration by Jane Sterrett

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Social Security Doesn't Work Any More

By James L. Payne

The Social Security system reminds us of Machiavelli's dictum that time is the mother of truth. An unsound institution may work at first, he said, but let a few generations pass, and its flaws will eventually reveal themselves. Social Security has been a deeply defective system from the start, but its problems were at first hidden from view by myths and misunderstandings, as well as by fortunate demographics.

The turning point came in 1977. Until then, Social Security was a free lunch on wheels. Every time Congress touched it—which was almost yearly—they increased benefits and expanded coverage, while the tax increases for the program went amazingly unnoticed. But in 1977 Congress legislated the first trimming of benefits (a change in the cost-of-living adjustment), and thus began the era of bitterness and gall for Social Security. Now, every time Congress adjusts the program—still almost yearly—they find themselves cutting benefits and/or implementing much-protested tax increases.

They're Not "Your" Benefits

To understand why Social Security has unravelled, we need to look at the myths it has depended on for its political support. The first deception is the idea that Social Security is an insurance program. This was the original sleight-of-hand that Roosevelt's New Dealers employed to con a proudly self-reliant nation into accepting the program.

Social Security operates by taxing workers and giving their money as a subsidy to older people. In other words, it is a simple tax-and-spend benefit program like Food Stamps or school lunches. Its promoters realized that independent, self-respecting seniors would have balked at such a naked handout, so the program was disguised as an insurance arrangement. Seniors were led to believe they were paying their own way. To sustain this deception, the program is wrapped in doubletalk and phony rigmarole: Taxes are mislabeled as "contributions," there are solemn references to non-existent "trust funds," and records of individual payments are maintained to create the illusion that benefits are fixed and guaranteed.

Social Security officials are more or less required to endorse these fictions, but retired employees can tell the truth. "It isn't a contract, like a private insurance policy," says Robert J. Myers, chief actuary of the Social Security Administration from 1947 to 1970. Even Social Security's liberal supporters like Harvard sociologist Theda Skocpol call the insurance analogy "technically quite false." The Supreme Court, in the 1960 case *Flemming* v. *Nestor*, established as a matter of law that the government has no contractual obligation toward Social Security beneficiaries.

Something for Nothing Only for a While

Because Social Security is a pay-as-you go system for having one part of the population subsidize another part, it is extremely sensitive to demographic changes. In its early years, it profited from fortunate population trends. Because America was a youthful nation, there were 42 workers paying Social Security taxes to support every one retired beneficiary of the program in 1945. But the gradual "graying" of our population has shifted the balance against the program. In 1995, there were only 3.3 workers for each beneficiary; by 2030 there will be only two.

Those early numbers—the 42:1 pay-in to draw-out ratio—helped sustain the illusion that Social Security was a sound program of social insurance. At just 1 percent of wages, paid on only the first $3,000 of earnings, the Social Security tax seemed trivial, and there was a pleasing, steady increase in benefits paid to recipients. As the program became heavy with beneficiaries, the insurance myth began to fray. In the 1980s, Social Security's

Security for the Twenty-first Century

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looming bankruptcy brought benefit cutbacks that clearly exposed the "fully guaranteed insurance" claim.

One key benefit reduction took place in 1980, when the formula was changed to lower by 27 percent the benefits of everyone who retired after 1981. Those immediately affected were furious, and these so-called "notch babies" formed a lobby to protest. A decade and a half later, congressmen are still introducing hopeless bills to reinstate their "lost" benefits. The rest of the country took a larger lesson from the benefit cut, namely that Social Security is actually a subsidy program with benefits set through the political process. Naturally this prompted workers to ask, "Can I trust the U. S. Congress with my retirement?" It was the beginning of the end.

The 1983 amendments to the Social Security Act were an especially painful retrenchment, combining further benefit reductions (including raising the retirement age to 67) with increases in the Social Security tax (to a total of 15.3 percent of wages). And if the program is to be maintained in its current form, the benefit cuts and tax increases have only just begun. The Social Security system's official projections show that Social Security taxes will be insufficient to cover medical and retirement benefits as early as 1999, and that by the time the Baby Boomers retire, the Social Security tax alone will take 27 percent of the typical worker's pay. Given some of their optimistic assumptions, these are probably low-ball estimates of what it will take just to continue to deliver today's level of benefits.

Hiding the Social Security Tax

So it's an outright myth that Social Security is pre-paid insurance. A second myth embedded in the Social Security program is that the employer pays half of the employee's "contribution" to Social Security. In fact, the employer matching payments are a wage cost, just like health insurance or any other labor charge. "Employers do not pay them in any sense other than that in which retail stores may be said to 'pay' sales taxes," says economist Milton Friedman. "The tax is borne by the worker. His employer simply transmits the amount."

This employer-pays-half subterfuge went a long way in helping the country ignore the real burdens of the Social Security system. The idea of benefits paid for by someone else, after all, is appealing to many people. If Congress wanted to act honestly, it would pass a "truth in taxation" bill to make the real Social Security tax level clear. This law would a) have employers add their "matching" Social Security payment to the worker's paycheck and then b) deduct that amount and send it to Washington along with other deducted taxes. Every penny would end up exactly where it already goes now, but workers would be able to see clearly that they are paying twice the Social Security tax they think they are.

Even without honest accounting, however, the relentless increases in Social Security taxes have consumed people's attention. The tax marched from one percent of wages (actually 2 percent including the employer match) in 1949, to 7.65 percent (actually 15.3 percent) in 1990. Self-employed Americans were given an especially bitter pill in the 1983 reforms, with their Social Security tax jumping from 9.3 percent in 1981 to 15.3 percent in 1990. Many breadearners have now figured out that the Social Security tax is the heaviest tax they pay, and the single greatest burden on their family budgets.

Robbing Peter to Pay Paul

A third myth wrapped around Social Security is the insistence that it is an earned benefit, not a welfare program of income redistribution.

New Dealers viewed human beings as strictly selfish, and believed that in a democracy there could never be welfare programs limited to the poor, because selfish middle-class voters would refuse to let themselves be taxed to help some other beleaguered person. The New Dealers figured that the only way to establish a durable system of helping the aged poor would be to en-

Fixing Old-Age Entitlements Is the Task of the Day

By Robert J. Samuelson

Our biggest political challenge of the next few years will be coming to grips with the long-term problems of an aging America. In 1955, spending on Social Security and health care were 7 percent of all federal outlays; by 1995, this had increased to 40 percent. The federal budget has mainly become a transfer from workers to older, retired Americans.

Because the Baby boomers will begin retiring in huge numbers early in the next century, maintaining our present programs of old-age support would eventually require huge tax increases or budget deficits of tidal-wave proportions. While Social Security and Medicare consumed less than 1 percent of our total national output in 1950, they now eat up about 7 percent—and can be expected to consume nearly twice that much, under present programs, when all of the Baby boomers have turned 65. To put that in perspective, consider that all of today's federal taxes put together equal about 19 percent of national output. Consider that our present federal budget deficit, so worrying to many observers, equals under 2 percent of the economy.

To finance the future increases in Social Security and Medicare spending under today's programs would require nearly a 50 percent increase in our tax burden (about $650 billion a year in today's dollars). And even that may understate the case, because it excludes spending from other government-run retirement and health programs (like the ones for federal employees) that face similar pressures.

The fact that these pressures don't fully materialize for another ten or 15 years when the Baby boomers retire is no reason to ignore them. Just the opposite: the needed changes should be made *soon* so that people who are now middle-aged or younger can sensibly prepare for their retirements. The longer we wait, the more abrupt and unfair the changes will be.

Robert J. Samuelson is a columnist for Newsweek *and the* Washington Post, *and author of* The Good Life and Its Discontents: The American Dream in the Age of Entitlement, 1945-1995, *from which this is adapted.*

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trap the whole country in it: Set up a system where everybody has a stake in expanding the goodies, pretend that contributors get back what they pay in, but distort the tax and benefit schedules so that the poor get more.

As long as the amount of income redistribution in the system remained modest, no one particularly noticed or minded. The far Left actually deplored the Social Security program in the beginning precisely because its welfare feature was modest. What was the point of the program, said 1930s socialists, if it wasn't going to shift massive amounts of wealth from the rich to the poor? Seeing how hard it was going to be to sell a transfer program, New Deal leaders played down the redistribution theme. Edwin Witte, Roosevelt's leading expert on Social Security, explained the program's original thrust: "Only to a very minor degree does it modify the distribution of wealth, and it does not alter at all the fundamentals of our capitalistic and individualistic economy."

As the years passed, the Left reasserted itself, and the result has been a program sliding ever more clearly into the welfare mold. The soak-the-rich thrust is especially noticeable in the relentless rise in the proportion of wages subject to taxation. In 1950, tax was paid on only the first $3,000 of earnings; by 1996 this had soared to $62,700. Thus, a high income worker with a salary of $100,000 would have paid $60 in Social Security tax in 1950, but $10,675 in 1996. Over the same period, the benefit schedule was continually readjusted so that high contributors received a declining share of benefits relative to low contributors.

Other changes moved the system further toward a simple welfare giveaway. In 1966, Congress added some older beneficiaries to the program who had never paid any Social Security taxes. The adoption of the Earned Income Tax Credit (EITC) in 1975 was another critical step. This measure was originally justified as a way to refund the Social Security tax payments of low-income workers; it has now become a multi-billion dollar subsidy that writes checks to households for more than triple the amount of taxes they paid. For millions of low-income workers, the EITC turns Social Security into a (literally) something-for-nothing welfare benefit. Finally, the taxing of Social Security pensions, begun in 1983 and expanded in 1993, introduced a kind of means test into Social Security, and made it more clearly a welfare program.

The Penalties of Overpromise

The scheme to trap trusting middle-class taxpayers in a welfare program now appears to be backfiring, however. Presenting Social Security as a retirement insurance program encouraged workers to treat it as a retirement investment and calculate a "rate of return" for it. But burdened with welfare features and non-investment financing, Social Security gives a dismal payback for the typical worker. The arithmetic actually shows a *negative* yield on every dollar put in now. Younger workers compare this loss to the positive annual returns of six, eight, or ten percent they could expect from ordinary retirement investments, and conclude, not unreasonably, that politicians are selling them down the river on the single biggest deduction from their paychecks.

If Social Security had been set up as a frank welfare program, this opposition would not have arisen. No one would be criticizing it as a bad "investment," because they would not have expected anything from it. The solution to the developing crunch in Social Security finances clearly lies in this direction:

Social Security Imbalances Could Wreck the U.S. Economy

By William Modahl

What will happen if no changes are made in our Social Security program as we approach the retirement of the Baby Boomers? In May 1996, the Congressional Budget Office addressed that question. And for the first time in a major government report, the CBO considered how the economic feedbacks of rising Social Security and Medicare deficits would affect the national economy.

The outlook, even without economic feedbacks, is gloomy. Slowing growth in the labor force as Boomers retire causes economic growth to drop from 2.1 percent in 1995 to only 1.3 percent in 2030. The federal budget deficit climbs from our current level of 2 percent of gross domestic product (GDP) to 15 percent by 2030, a level never before seen.

Adding in economic feedbacks (that is, the effects of Social Security's deepening imbalance on the rest of the economy) makes the picture much worse. Government borrowing to cover Social Security deficits begins to crowd out private investment, causing interest rates to climb rapidly. Federal debt soars as the government issues ever more paper to pay interest charges. The economy goes into a downward spiral.

What would it take to avoid this doomsday scenario? To hold the ratio of debt to income steady at the federal level would require pushing taxes up from their current level of 20 percent of GDP to 29 by 2050. (Actually, because this does not count the negative economic effects of a 50 percent increase in federal taxes, an even greater hike would be needed). Alternatively, government spending would have to be cut in amounts that would exceed the total of *all* discretionary spending.

The CBO report makes clear for the first time that what's at stake in Social Security reform is not merely the health of our retirement program, but the future of the entire economy, and therefore our social fabric. It also shows that delaying action is not feasible.

Far from being unduly gloomy, the CBO report is probably too optimistic, since it is based on the Social Security Administration's mid-range assumptions—which have consistently been too positive over the years. Only a privatized system of personal retirement savings holds out hope of meeting the pension needs of future retirees without doing enormous damage to the U.S. economy.

William Modahl follows tax policy for Digital Equipment.

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make it only a safety net program for the aged poor, and let everyone else take care of their own retirement by saving money currently withheld as Social Security tax in personal investment accounts instead.

Political economist James L. Payne is a Bradley Fellow at the Heritage Foundation. His books include Costly Returns: The Burdens of the U.S. Tax System, *and* The Culture of Spending: Why Congress Spends Beyond Our Means.

Entitlements Are Corroding Personal Responsibility

By Blake Hurst

"Is the house in her name?" One of the delights of living in a small town is eavesdropping. I overheard the preceding query while getting a tire patched, and what followed was a well-informed discussion of that whole field of legal legerdemain known as "elder law." The proprietor of the tire shop and a couple of customers were chatting about a neighbor entering the nursing home, and the ownership of the neighbor's property was crucial to playing one of America's favorite sports: gaming the entitlement system.

The program in question in this case was Medicaid. In 1995, some $32 billion was spent by the federal government and the states for long-term nursing-home care under Medicaid. States set income and asset levels that qualify a nursing home resident for Medicaid. In order to be eligible in my home state of Missouri, an applicant may possess a home and $1,000 or less in savings. Seventy percent of all of our nursing home patients receive Medicaid.

More than a few families make special efforts to tuck their inheritance away and get Mom or Dad qualified for Medicaid before the nursing home bills start coming in. In 1993, the Congressional Budget Office projected that nearly $2 billion would be lost between 1994 and 1998 due to illegal transfers of personal assets made in order to qualify for Medicaid-financed long-term care. Changes in the law in 1993 tried to institute a 36-month wait after the transfer of assets before Medicaid can be received. But it is questionable how effective this has been. In Missouri, the number of people receiving long-term care courtesy of Medicaid actually increased in the year after the eligibility requirements were stiffened. Only 115 of the over 30,000 Missourians applying for Medicaid-financed long-term care in fiscal 1995 were denied benefits because of recent asset transfers.

People are downright brazen about their Medicaid fiddles. Local bankers report that depositors regularly change names on bank accounts and certificates of deposit in order to hide assets from the Medicaid audit. With barely disguised disgust, a loan officer in a nearby town tells of a new house built by a local couple after appropriating the assets of a parent. Her life savings having disappeared, her children then qualified her for nursing home residence courtesy of Medicaid.

A small-town lawyer "often" has clients who want to hide assets from a nursing home and the state of Missouri. He tells them, and me, that present rules don't allow that. But he goes on to describe how a land-owner in his dotage can sell his farm to his children with a long-term mortgage, cancelable by the passing of the seller, which results in Medicaid-induced penury for the original land-owner.

Corrupted by Cash

These are not exotic measures carried out infrequently by con men. They are becoming part of the everyday landscape of old age and estate planning. When American heartlanders in casual conversation with the guy who fixes their tires are discussing ways of hiding assets, then most moral hesitation about taking advantage of Uncle Sam has been lost.

And the Medicaid hustles I've discussed here are only one example of uneconomic or unethical behavior fostered by entitlements. The earnings tests on Social Security likewise encourage oldsters to hide income. And there are softer but even more widespread ways in which Social Security invites undesirable behavior: It discourages people from saving as much as they know they ought to. It feeds today's rush to early retirement (only 15 percent of men over 64 now work, compared to 46 percent in 1950, despite the fact that the average person who reaches 65 now has 18 years of life left). The disability-protection portions of Social Security have been notoriously gamed and abused. And so forth.

The cavalier attitude toward taxpayer beneficence that entitlement programs encourage is quite familiar to farmers like me. After long experience with government agricultural subsidies I know that people quickly come to think of money made available to them by the government as a "right," and that recipients will use all means available to continue receiving any such payments. If the energy my fellow farmers and I spent squeezing the last dollar from farm programs had gone into increasing our efficiency in more productive ways, both we and the taxpayer would be better off today.

Government farm programs have been riddled with hustles like the "PIK-and-roll" and the "Mississippi Christmas Tree," in which various legal and accounting maneuvers are used to qualify for subsidies, circumvent limits on payments, and so forth. Any time government—acting in the name of compassion, without strict limits—hangs a big slab of bacon out in front of the public, human nature will invariably lead many people into the sorts of dodges and abuses that have long riddled welfare programs, and

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farm subsidies, and, more recently, Medicaid and Social Security. The government tempter bears even more responsibility for this type of human corruption than the tempted citizen.

Legitimizing Dependency

And it isn't just illegal behavior that I'm talking about—there are subtler economic and moral costs. In my long observation of farm subsidies, the worst result was the way day-to-day decisions about work were distorted by the promise of green checks in the mail box. Now that farm programs are no longer an entitlement, I don't know whether I will be financially better off. But I do know that my fellow farmers and I will make our living in a more honest and rational manner.

Likewise, Social Security's retirement and medical benefits can encourage shortsighted decisions about work, saving, and retirement. And with 45 million Americans getting monthly checks under the program, Social Security does more to "normalize" the welfare state than any other influence possibly could—conditioning all of us to view government dependency as a natural, even desirable, part of life.

My friends who wouldn't think about shorting the garage that rotates their tires can countenance Medicaid reality-stretching, or outright fraud, without blinking. Likewise, the same growers who have $100,000 lines of credit at the local farm supply store secured by nothing more than a handshake may manipulate the arcane rules of the farm program to their personal advantage without any hesitation. That's what impersonal government entitlements do: They make parasitism seem like it's simply good business. They reward the chiseler and the trimmer, undercut self-reliance, and erode the moral capital that makes our economy and our society possible.

Americans castigate welfare programs that encourage (or at least enable) illegitimacy and sloth. But when it comes to entitlement systems that benefit the middle class, our criticisms are limited to accounting objections. "The trust funds are out of balance." "Costs are rising too fast." And so forth. We rarely acknowledge the behavioral decay and corner-cutting that the entitlement state of mind can encourage even in solid middle-class workers.

Only the Land of the Free Will Be the Home of the Brave

The 1996 Democratic candidate for Congress in southwestern Iowa (from which we get a lot of our TV) ran a campaign spot that showed her with her arms draped around a terrified, wheelchair-bound senior citizen. Whether it was Newt Gingrich or stage fright that inspired the old man's horror was not clear, but undoubtedly many Americans now fear for their fortunes in old age.

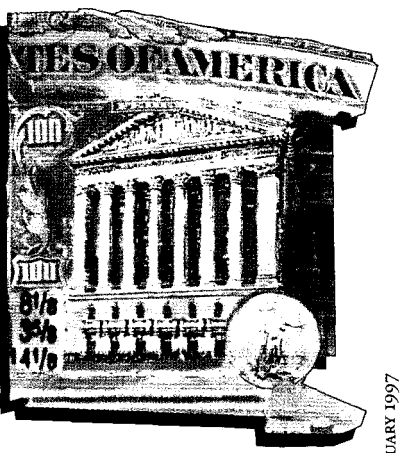
And there is also no doubt that voters can be influenced by instilling fear in them. Fear is more politically potent than a careful exposition of the demographic trends and economic realities that doom our current Social Security programs. If instead of making the elderly wards of the state, we had national retirement programs that helped people guarantee their own retirement, we would be spared political campaigns built on manipulation and worrying of senior citizens.

Our country needs to move toward a more rational and sustainable way of dealing with retirement. But that will first require spending some time making the moral case for the virtues of self-reliance, honesty, personal responsibility, and independence. If we simply let the debate turn on who can give more to the old, advocates of reason and reform won't be able to compete with those who—while talking about "bridges to the twenty-first century"—are literally and figuratively wrapping their arms around the past.

Blake Hurst is a Missouri farmer and regular contributor to The American Enterprise.

Creating a New Kind of Social Security

By Carolyn L. Weaver



Low birth rates, increasing life spans, and slower economic growth have forced politicians around the globe to search for ways to rescue their debt-ridden government retirement systems. And instead of "nip and tuck" reforms of their old statist systems, many countries are considering much more fundamental reforms—such as those adopted in Chile over a decade ago. The essence of the Chilean system is individualized retirement accounts invested in competing private financial institutions, reinforced by a government safety net. Sometimes referred to as "Social Security privatization," this highly successful (and popular) reform has boosted savings and investment in Chile, helping to rocket the economy into one of the fastest growing in South America.

Argentina, Peru, Colombia, Bolivia, and Mexico have already adopted sweeping reforms modeled after Chile's. Brazil, El Salvador, and some Asian and European countries are contemplating similar efforts.

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Chile's complicated, costly system of income transfers to the elderly was replaced with a program built on real saving and investment. The benefits to workers and the national economy have been huge.

In the United States too, proposals to replace a portion of Social Security with individualized retirement accounts are gaining support. An official Social Security Advisory Council (on which I serve), which was appointed by HHS Secretary Donna Shalala, will release a report any day now containing a proposal to convert half of the nation's giant retirement program into individually owned, privately managed accounts. Several bills introduced in the last Congress have proposed some degree of privatization. Given the dismal alternatives—like raising Social Security taxes and cutting benefits again—these proposals are generating real enthusiasm, especially among younger people.

Privatization's Many Benefits

Many good results would flow from phasing out our existing Social Security arrangement—which taxes workers to pay benefits to retirees—and creating a new one which helps each worker save for his or her own retirement. By permitting workers to deposit part of their payroll taxes in privately managed, personal accounts, every worker, rich and poor alike, would become a shareholder, building retirement protection while securing the higher returns of private capital investment. Workers would own these accounts, and any investment earnings, and thus would be shielded from political uncertainty about future benefits. Payroll taxes would become true contributions. At "retirement," workers could withdraw their funds whether or not they continued working, and any balances remaining at death could be inherited by family members. Thousands of money-management firms, competing for new customers, would offer a wide range of investments with different risks and rates of return, as well as various information and management services to assist workers. More saving and more capital investment would result, boosting the wages of American workers and increasing national income in future decades.

Privatization would also alleviate Social Security's recurring funding problems. With a system of fully funded individual accounts, Social Security would run on automatic pilot, no longer hostage to demographic uncertainties and political manipulations. We'd still have to dig out from under the debt accumulated under the existing system, but individual accounts would provide an appealing "light at the end of the tunnel" for the people being asked to bear the brunt of needed changes.

There are many ways to convert Social Security to a system of true pension saving, three of which are summarized below. The Chilean system provides a proven example of full-scale privatization replacing an old-style tax-and-transfer system. The United Kingdom provides an example of a government-run system that is being gradually reduced in importance as private pensions are actively encouraged. Lastly, a U.S. proposal, one of the three contained in the report our Social Security Advisory Council is about to release, is a hybrid of the Chilean and U.K. approaches. It retains a scaled-back government program for the purpose of providing a base benefit and also creates a system of mandatory personal accounts.

How the Chilean System Works

Under the Chilean system, workers have 10 percent of their wages deposited each month in their own retirement savings account at an approved, privately run investment firm. There are about 20 of these firms to chose from, and each operates the equivalent of a mutual fund that invests in stocks and bonds. Each worker receives a passbook and a periodic statement showing his investment earnings and balance. Workers are free to move their accumulations among the different funds. Much like with an IRA in the United States, contributions and investment earnings are untaxed; accumulations are taxable when withdrawn. Workers may contribute up to an additional 10 percent of their wages. They are also required to purchase life insurance and disability insurance through the firm managing their account, the cost of which averages about 3 percent of their wages, and to pay any management fees.

At retirement, Chilean workers have three options. They can use their accumulated investment to purchase an annuity from a private insurance company that will pay them a fixed amount each month for the rest of their life. This annuity must be indexed to the rate of inflation to ensure constant real payments over time. Or workers can arrange to withdraw their accumulations on a phased basis linked to their (and their dependents') life expectancy. In this case workers bear the risk of outliving their accumulations, but gain the advantage of being able to bequeath to their heirs any balances left in their accounts at death. Finally, workers who accumulate more than what's required to purchase an annuity paying 70 percent of their final wages can withdraw any excess as a lump sum.

Unlike in the United States, Chileans don't have to cut back or stop working to gain access to their pension funds. Workers may make withdrawals from their accounts at 65 (60 for women), whether or not they are "retired." Workers who have accumulated more than necessary to fund a reasonable annuity may tap their accounts at *any* age.

When Chile's reforms were adopted in 1981, older workers and people who were already retired were "grandfathered" under the old system. With only a few changes to reduce long-range costs, benefits for these people continue as under old law, but they are financed by general revenues, not by workers' payroll taxes.

All other workers were given the option of switching to the new system. If they chose to do so, government bonds in an amount roughly equal to their contributions under the old system would be deposited into their personal accounts at retirement,

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payable with interest at that time. An astounding 90 to 95 percent of workers in the old system decided to switch to the new system.

Individuals entering the workforce since 1981 have been required to participate in the new system. Presently, about 3 million workers have personal accounts with assets totaling $30 billion. (As a percentage of Chile's economy, that is the equivalent of about $3 trillion of savings in the U.S.) The rate of return earned by workers on their investments has exceeded 10 percent a year, after inflation. Ordinary Chilean workers now have a highly visible stake in the future of their economy.

Just like that, Chile's complicated, costly system of income transfers to the elderly was replaced with a straightforward retirement pension program built on real saving and investment. The benefits to workers and to the national economy have been huge. And this was accomplished without disrupting the benefits of older citizens. Social Security, meanwhile, has been largely depoliticized.

While Chilean workers are accumulating their own retirement savings now, they are not left totally to their own devices. Personal accounts are mandatory. Financial institutions and investments are regulated to control fraud and risk. And subsidies continue for the working poor and others who retire with inadequate funds.

Critics who claim Chilean-style reforms hurt the poor are mistaken. For one thing, Chile still has a minimum pension guarantee. Should a worker's private annuity fall short of this, or if the worker's investments fail at any time, the government stands ready to provide basic assistance from general revenues. Should the insurance company that issues the worker's annuity fail, the government will step in to pay most of the promised amount. Finally, any investment fund whose performance fails to meet a minimum annual investment return must dip into reserve funds to compensate shareholders. If it is still unable to meet the minimum, it goes out of business. The government then makes up the difference to individuals with general revenues. These measures provide protection for all workers and income redistribution to low-income individuals. They imply, of course, a continuing financial commitment by the Chilean government and taxpayers.

The Quiet Revolution in the United Kingdom

The United Kingdom is also moving toward a privatized pension system, but in a very different manner from Chile. The U.K. has a two-tiered Social Security system. The bottom tier provides a flat, quite minimal benefit for full-career workers. This benefit is prorated according to years of work. The upper tier provides an earnings-related benefit that is not especially generous either. What makes the U.K. unique is that the government permits, indeed encourages, employers and employees to voluntarily withdraw from the second tier—either by participating in a suitable company pension plan or by setting up a personal retirement account with a private financial institution, such as a bank or insurance company. Workers who withdraw from the government program pay lower taxes and receive reduced Social Security credits. Contributions to private plans, plus interest earnings, are tax-free until withdrawal. Meanwhile, future benefit promises under Social Security have been sharply curtailed, making private alternatives even more attractive.

At retirement, workers who have opted out of the top tier draw their private pension(s) plus whatever level of government benefits their contributions entitle them to. Workers with personal pensions may withdraw a tax-free lump sum equal to 1 1/2 times their final salary or 25 percent of their accumulated funds. Generally they must use the balance to purchase a private annuity that will pay them monthly benefits for life, and this may be done at any age from 50 to 75.

The United Kingdom is now in the enviable position of having no serious long-term Social Security debt problem. Yet many workers are gaining coverage under private pension arrangements that offer much higher returns than the government system. At the same time, a basic floor of protection remains.

These incentives have produced a dramatic shift toward private provision of retirement income. Currently, only 17 percent of U.K. workers participate in the top tier of Social Security. In addition to those with company pensions, a quarter of the workforce has personal retirement accounts. Social Security pensions account for about one-half of retirement income in the country today, and this share is declining.

The U.K system does suffer the disadvantage of enormous complexity—in the design of the two-tier system itself, in the rules governing contracting out, in the tax incentives, in the provisions for pension transfers across jobs, and simply in terms of tracking people and their coverage status. Administrative costs must be high. Also, with pressures on one side to make the government system more generous, and pressures on the other side to scale it back further, it's not clear whether the current arrangement is politically stable.

The Social Security Advisory Council Plan for the United States

Back in the United States, the Social Security Advisory Council will soon issue a final report containing three proposals, one of which would gradually convert half of our retirement program into individualized retirement accounts. (Five out of 13 members, including me, support this proposal, and two others support an individual account add-on to Social Security, giving individual accounts majority support on the Council.) Our proposal

The United Kingdom is now in the enviable position of having no serious Social Security debt problem. Yet workers are making much higher returns than the government system offered.

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This reform would turn Social Security's 135 million taxpayers into wealth owners, and rechannel vast amounts of payroll taxes into private investments.

would move us toward a two-tiered system that would blend the Chilean and the U.K. models.

As in the United Kingdom, there would be a basic retirement benefit, set at $410 monthly (in 1996 dollars) for full-career workers and indexed to keep pace with changes in the cost of living. This, along with insurance to cover disability and survivor benefits, would be financed with a payroll tax of 7.4 percent. (Today's payroll tax for retirement, disability, and survivor benefits is 12.4 percent.)

The second tier of our proposal would consist of mandatory personal savings accounts, funded with the remaining 5 percent of the payroll tax. As in Chile, workers would own their accounts and their investment earnings. But unlike in Chile, where there are just a handful of approved funds to invest in, Americans would be free to invest with a vast range of banks, brokers, and funds, subject to the simple requirement that the investments be widely available in financial markets.

Workers could begin making tax-free withdrawals at age 62, even if they continued to work. Any balances left in the accounts at death would be included in the worker's estate. The proposal also contains other changes, such as an increase in the Social Security retirement age, intended to close the long-range deficit in the present system and help make room for the personal accounts.

This reform would turn most of Social Security's 135 million taxpayers into wealth owners, and rechannel vast amounts of payroll taxes into private investments. To see the magnitudes involved, consider that 5 percent of today's taxable payroll is $150 billion annually. Social Security Administration actuaries project that the total accumulations in personal accounts will be close to $11 trillion in today's dollars by the year 2030—ten times the amount Americans currently have invested in mutual funds.

Current retirees and older workers would continue to receive benefits and pay taxes basically as they do under the current system. Workers under 55 would get a payroll tax rebate to invest where they choose. At retirement, workers taking part in the new system would receive a tier-one benefit which comprises a share of the flat benefit, based on years of work under the new system, and the benefit they accrued under the existing system prior to privatization, plus their tier-two accumulations from their personal accounts. For younger workers, the stream of income from private investments would easily be the biggest part of their income in old age.

As in the U.K., there would be a risk that politicians would ratchet up the first-tier benefit and shift costs to future generations for political gain, just as our original Social Security program was ratcheted up over the years. The first tier is intended only to offer fail-safe benefits for workers at all earnings levels, especially low-wage workers. Preventing it from ballooning into a much bigger program will be a key to the success of our proposal.

Making the Transition

The main obstacle to any Social Security reform is the $11 trillion of unfunded debt overhanging our current system. Where do we get the funds to pay benefits to current retirees and older workers, while also allowing younger workers to begin saving a portion of their taxes for their own retirement?

The "transition costs" can be met in many ways, including reduced spending on Social Security and other federal programs, payroll or other tax increases, and sales of government-owned assets. There could also be federal borrowing that would put Social Security's already-existing debt on the books for the first time. Some combination of these measures is likely.

Chile took the multi-pronged approach to its transition. The government ran budget surpluses in the years before privatization, anticipating the revenue losses that would occur when payroll taxes that previously had paid for elderly benefits were deposited in personal savings accounts. The government also trimmed benefit commitments under the old system (indexing was modified and the retirement age was increased). Finally, the implicit debt represented by worker claims on the old system is being acknowledged by the bonds given to workers who contributed under the old system. These bonds will be repaid from general revenues as workers retire.

While these may seem like big steps, Nobel-winning economist Gary Becker of the University of Chicago concludes that Chile's experience shows "the transition can be managed rather easily." The reason, he notes, is the much greater efficiency of private markets and the much higher rates of return that can be achieved. Certainly the transition would be even smoother in America than it was in Chile—where the 1970's economy was badly underdeveloped, where there were no well-developed capital markets, and where workers were inexperienced at personal investing. (Somehow the Chileans mastered the changeover without trauma.)

Those of us on the Advisory Council have suggested that transition costs could be covered through a payroll tax supplement and additional federal borrowing. A 1.52 percent payroll tax supplement is estimated to cover the full transition over a 70-year period. Federal borrowing would be needed to get over the hump of initial costs, but at its peak this new government debt would amount to only about one-third of the savings going into the new personal accounts.

Transition costs could be further reduced by trimming government spending. For example, a bill introduced in the last Congress by Senators Kerrey and Simpson would help fund small personal accounts by scaling back Social Security benefits for current and future retirees. This shifts more of the transition costs

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onto current older generations, who have fared so well under today's system, but it also limits the extent to which individual accounts can substitute for a portion of Social Security.

Can We Handle Our Own Accounts?

One concern raised about personal accounts is that many Americans are "unsophisticated" about making investment decisions. In fact, with the introduction of IRAs, 401(k) plans, and the like, tens of millions of citizens have gained investment experience. And with the explosion of mutual funds, especially equity index funds, ordinary working people are reaping the benefits of the stock market without having to incur the risks or bear the cost of picking individual stocks. Intense competition among money-managers has created a wealth of informative publications, rating services, and experienced financial counsellors available to advise small investors. U.S. workers have never been better positioned to make sound financial decisions.

True, there are no guarantees that everyone will make the best possible financial decisions. Some workers have little direct experience with financial investing because they've never had any money to invest. Some workers will take on too much risk; some too little. But the experience of making regular contributions to personal accounts managed by competing financial institutions would quickly turn everyday Americans into competent investors. Returns would be immediately visible, and abundant information would exist on the relative success of competing financial institutions. "Unsophisticated" investors should be helped by direct educational efforts, not by being denied investment choices.

Besides, worries about the financial risks of personal accounts must be weighed against the risks of our current system. Many middle-aged and younger workers are projected to earn *negative* returns on their Social Security taxes, even if all currently promised benefits are delivered—and the reality is that keeping today's system limping along could require reductions in their future benefits of 25 percent or more.

In any case, the first-tier benefit of the Advisory Council op-

Will "Wired Workers" Lead a Push for Privatization?

By Joel Kotkin

To Americans who grew up in an era of assembly line work and unskilled drudging, Social Security may have seemed like a perfectly adequate retirement program—big, bureaucratic, paternal. But for the new generation of workers growing up in the "information age," Social Security increasingly seems as archaic as a manual typewriter.

A survey recently released by the Institute for the New California conducted by Frank, Magid & Associates found that while a majority of all workers still see Social Security as the best means to guarantee a comfortable retirement, support for this view is far weaker among what have been called "wired" workers. Wired workers—most of whom are heavy users of technology, many of them working in flexible, self-directed work environments—are employed in the knowledge and information parts of the economy.

Wired workers constitute a large and fast-growing group. In California, they already represent roughly 38 percent of the labor force and roughly a quarter of the electorate. Similar trends are spreading nationwide. According to the U.S. Bureau of Labor Statistics, the ranks of such classic "wired" professions as engineering, entertainment, and computer science are expected to grow upwards of 50 percent over the next decade. And it is quite possible these people will emerge as a key constituency for a more individually-driven Social Security system.

The case for private alternatives to Social Security has of course only just begun to be made publicly. Asked in the Institute survey described above to choose between relying on Social Security or personal savings for retirement, traditional workers laboring in factory or conventional office settings opted for Social Security by a 60 to 21 percent margin. By contrast, only 44 percent of wired workers chose Social Security, while 34 percent preferred an emphasis on personal savings.

Institute founder Morley Winograd, an AT&T executive based in Los Angeles, believes this emerging split between "wired" and "traditional" workers reflects the differing experiences of the two groups. While traditional workers are used to uniform, one-size-fits-all benefits, "wired" workers are accustomed to "a menu-like environment where they pick their benefits. They don't look for the government to do that. They look for ways to control their lives. Control gives them choices—it provides accountability."

Greater willingness to accept a more privatized approach to retirement saving security dovetails with a general suspicion of government interventionism among "wired workers," Winograd notes. Nick Rothenberg, the 31-year-old president of a small California website design firm, considers himself a liberal, but says most people connected to his burgeoning industry tend to have a strong respect for self-reliance and market economics. This is true, he says, whether they work as freelancers or in large companies. "We instinctively do not trust the government to solve our problems."

"Politicians might not like it, but more and more people aren't buying the old solutions," suggests Winograd, a former chairman of the Michigan Democratic Party. "There's more and more people out there who have no loyalty either to the memory of New Deal or its programs."

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tion provides a safety net against disaster. Comprising fully half of the reformed Social Security retirement program, it would ensure that, together with second-tier accumulations, *all* full-career workers, regardless of income level or investment prowess, can expect a poverty-free retirement. And most workers will do far better.

Social Security actuaries project that young workers at every earnings level would fare better under this personal accounts option than under a shored-up version of our current system or either of the other options developed by the Advisory Council. This is true even after taking into account transition costs and administrative fees. This should be reason enough to consider the option carefully.

The Choice

When President Clinton completes his second term in 2001 there will be just seven years until he and millions of other Baby boomers become eligible for Social Security benefits. By then, the chance to deal with our unfolding crisis in a way that protects benefits for those close to retirement, while simultaneously creating real retirement wealth for younger people, will be gone. If the President is serious about building a bridge to the future, he will make Social Security reform a top priority. And if he is interested in securing the legacy of FDR, there may be no surer way than to transform Social Security into a system of true pensions protected by a government safety net. Such programs would link opportunity with responsibility and create real wealth for present and future generations.

Carolyn Weaver is director of Social Security and Pension Studies at the American Enterprise Institute.

Could Individual Retirement Accounts Be Part of A New Wave of American Self-Reliance?

By Karlyn Bowman

On Election Day, exit pollsters asked voters this simple question: "Which comes closer to your view? 'Government should do more to solve problems' or 'Government is doing too many things better left to business and individuals.'?" Overall, 41 percent of voters said that government should be doing more; 52 percent said government is already doing too much.

These responses highlight a deep, decades-long skepticism about Washington's presence in our lives. Combined with this more recently is the early evidence of a new public disposition that could be just as consequential in reshaping our politics. Call it a reassertion of self-reliance.

Self-reliance never disappeared from America, of course. But the last generation or two's emphasis on government solutions to problems may have weakened the impulse, sapping individual and community independence. Some hints that this is now changing come from two important groups of people.

One is the young. Geoff Garin of Peter Hart Research reports being struck by the number of young people today who, when surveyed about career plans, say they want to be a small businessman or woman. These young people, he says, don't think they can count on big business or big government. In a survey conducted in 1994 by Frank Luntz and Mark Siegel, fully 83 percent of 18- to 34-year-olds said the government had made financial promises to their generation that it would not be able to keep. Only 14 percent thought government would keep its promises. By contrast, those 65 years of age and older were evenly divided about the government's good faith. Another survey, this one conducted by Gallup in December of 1995, found that only 35 percent of 18- to 29-year-olds felt "fairly sure" they could count on Social Security as a source of income for their retirement years.

In contrast to their doubts about Social Security, today's young Americans are optimistic about their own abilities. More than eight in ten told Gallup they could count on income from their own savings and investments for their retirement. Although responses to questions about privatizing Social Security are influenced by the wording of the questions and the context in which the subject is discussed, the general idea of alternatives to our current retirement system is popular among the young.

Another American group showing new interest in self-reliance is one that has relied heavily on the federal government in the past: Blacks. Surveys show that blacks remain much more committed to government programs than other Americans, but the moral and economic bankruptcy of many government interventions designed to help blacks seem to have stimulated some second thoughts. Self-reliance was a persistent theme of 1995's Million Man March. When Princeton Survey Research Associates asked people whether they agreed with Louis Farrakhan's views in a number of areas, fully 90 percent of blacks said they agreed with his suggestion that blacks need to do more to help themselves.

The survey evidence is tentative, but should the old virtue of self-reliance experience a broad comeback over the next decade or two, significant changes in Social Security and many other profoundly important reforms could follow.

Karlyn Bowman is Opinion Pulse Editor of The American Enterprise.

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Personal Savings Accounts Would Be Good for Everyday Americans

By David R. Henderson

How would we fare if each of us had, instead of Social Security, a personal retirement account? I'll eliminate the suspense: Almost all Americans would make out much better with a privatized plan than with the government program.

To see why, you must compare a privatized retirement system with the way our current system works. When I pay taxes to the current system, there is no account labeled "David R. Henderson, Account No. 1234567," in which those payments sit and accrue interest. Rather, my taxes are mixed in with everyone else's, sit there a few weeks or months, and then are distributed to current Social Security recipients in monthly benefits. Similarly, when I retire, say, in 2016, I don't start drawing on my personal "contributions," the euphemistic term that the government has given to Social Security taxes. Instead, I collect money paid as taxes by people working in the year 2016.

That is why the current government-run system gives such a lousy rate of return to current recipients. Sure, it looked like a great deal to the original recipients. They made a killing because they had paid into the system for only a few years, but received substantial benefits for many years. Miss Ida Mae Fuller, for example, the first recipient of Social Security, received, by the time of her death, $20,000 in benefits in return for $22 in taxes paid. But in a mature system where participants pay taxes over their full working lifetime, there is no windfall. Compared to what they're putting into it, Social Security benefits for Baby Boomers and Generation Xers will be a losing prospect.

By contrast, the retirement income stream from personal retirement accounts would be much higher, even assuming moderate rates of return, and even if the amounts invested are much smaller than what Social Security is now taking out of our paychecks. And it would all be under your own control. This is what excites many of us who are chomping at the bit to make our own decisions, especially since millions of us are already doing so with our 401(k), 403(b), and Individual Retirement Accounts. Of course, this autonomy is also what scares some people (like President Clinton, as we'll see below), who doubt the ability of Americans to make their own decisions.

What's in the Personal Retirement Account for You?

One way to assess personal retirement accounts is to compare the rate of return you'll get from your Social Security taxes with the rate of return you could earn by investing those same funds yourself. A 1987 study by Boston University economist Laurence Kotlikoff and Stanford economists Michael Boskin, Douglas Puffert, and John Shoven calculated real rates of return from Social Security. The results varied according to age, income level, and marital status, but the very best return earned by any sub-group was 6.3 percent a year. Most people got paybacks much lower than that, and for younger workers the returns will actually be negative.

These returns compare unfavorably to what you could earn with a simple portfolio of stock investments. According to Ibbotson Associates, a Chicago-based firm that computes stock market returns, the average rate of return on stocks between 1926 to 1995 (a period that includes the stock market collapse of the Great Depression) was 7.2 percent after inflation. Not one 30-year period has ever had a real rate of return below 6 percent. Private investment in stocks is vastly superior to Social Security in its ability to produce paybacks for workers.

Another, even starker, way of comparing Social Security to private saving alternatives is to look at the effect that Social Security taxes and benefits will have on your total wealth at the end of your life. Economists do this by first computing the value of all the Social Security taxes you will pay in your life, plus all the interest you would have earned if you'd been allowed to keep that money. Then they calculate the value of Social Security's benefits to you at retirement. The difference is Social Security's net effect on your wealth.

Doing just such a computation using moderate economic assumptions—a 6 percent rate of interest—Eugene Steuerle, an economist at the Urban Institute, found that someone born in 1955 who is married and making $60,000 in 1993 dollars as the sole provider will receive $750,000 *less* from Social Security than he or she paid in. An earner making $24,444 in 1993 dollars loses $268,000. A couple where both spouses work, with one earning $60,000 and the other making $24,444, lose over $1.2 million. That's right. It's as if the government took over $1 million from that couple at retirement. Think of Social Security as a negative lottery in which you are forced to participate and your odds of winning are virtually nil.

One of my students, Shawn Duffy, and I recently found that someone who worked for the minimum wage his entire life and then retired in 1994—supposedly just the kind of "little guy" Social Security was set up to bolster—would actually have done better without Social Security. Assuming he earned only 5 percent a year on money invested instead of being sent to Washington, this minimum wage worker would have been over $34,000 better off without Social Security. If he earned seven percent a year (the stock market average), he would have been over $100,000 better off without Social Security.

Because it is potentially a huge creator of *new* wealth (and not just a shell game that takes money from one person and gives

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to another), Social Security privatization has the potential to turn large losses into large gains for nearly all workers.

Not only that, but a personal savings system also promises to be more economically just. Incredibly arbitrary redistributions of wealth take place under our current Social Security system. (Actually, since the term "redistribution" implies that someone gains, while under Social Security almost everyone now loses, it might be more accurate for me to say that today's system causes some to lose a lot more than others.)

Black men, for instance, get a raw deal, because their life expectancy is comparatively low. A black male born in 1950, for example, had a life expectancy of 60.1 years. Since Social Security's retirement benefits don't kick in until after that, and cannot be willed to one's heirs, that means the average black male baby born that year faced a lifetime of Social Security taxes without offsetting benefits.

Some other groups and individuals face the opposite circumstance. They enjoy unearned windfalls. With personal retirement accounts, all these arbitrary impositions of wealth losses and wealth windfalls would be gone.

Are Americans Smart Enough to Manage Their Own Money?

Of course some people doubt that American workers are competent enough to plan their own futures and oversee their own money. In a September 11 interview with *Money*, President Clinton said of Social Security: "The people who read *Money* magazine probably would be much better off if it were partially privatized because they're intelligent, they're upscale, they understand investments. But the thing that's made [Social Security] work all these years is the fact that older people who had no education and wouldn't know how to make an investment were still going to have their income and return protected. I wouldn't feel comfortable supporting [privatization] based on the evidence I have now."

This statement leaves me thinking of how crabs in a trap behave: When one tries to get out, the others pull him back in. The President admits that Americans can do much better with personal savings accounts, but chooses Social Security's dismalness because at least then everyone will be doing equally poorly.

The fact is, every Social Security privatization proposal retains some safety net features that would catch the elderly who reach the end of their lives indigent, for whatever reason. So keeping the whole $300 billion program just to aid the 5 percent of senior citizens who are poor makes little sense. In addition, a system of personal savings accounts would allow older Americans who found they lacked enough income to retire in the style they wanted to keep earning money on the job. If you do that under Social Security, the so-called earnings penalty will reduce your Social Security benefit.

But what about Clinton's fundamental point: Is he right that many people would end up worse off thanks to bad investment decisions? We know that the members of the public who have the most to lose on this question don't agree with the President: Polling by Luntz Research shows that fully 82 percent of all 18- to 34-year-olds think they can achieve higher returns investing their retirement funds for themselves than the government can produce on

Comparing the payoffs to typical workers

OUR PRESENT SYSTEM

Fraction of every U.S. worker's pay withheld to pay for Social Security retirement benefits	Proportion of wages earned in final year of work that Social Security benefits will replace for average worker
10.6 %	29%

THE ALTERNATIVE

If every U.S. worker instead put the following portion of his income in a mutual fund that earns 5 percent annually	Proportion of final year wages the resulting nest egg's income will replace for that worker
3%	31%
6%	61%
10%	102%

Source: Stephen Entin, "Private Saving vs. Social Security," Institute for Research on the Economics of Taxation, September 1996. Note: Social Security retirement tax is currently set at 10.6% for the year 2000 and beyond; benefit is what will be payable in future given that tax. Alternative assumes worker saves indicated percentage of wages from age 20 onward, reinvesting returns, then purchases annuity at retirement. For detailed assumptions, see reference.

Is Saving Privately for Retirement Safe?

By Stephen J. Entin

Since 1925, stocks have averaged a 7 percent real return in spite of the Great Depression, World War II, and serious bouts of inflation.

As a worst-case scenario for privatized retirement investing, consider a possible repetition of the stock market performance from 1965 to 1982. During that period the returns in the stock market barely kept pace with inflation, as three market advances were beaten back by episodes of inflation, rising taxes, a mismanaged energy "crisis," and several recessions. Even if future workers who privately invested their retirement monies were to experience a repeat of those 17 years of stock market batterings, and then earned merely historically average returns during the rest of their working lives, they would still receive a greater retirement income than Social Security offers.

Note, too, that Social Security is not immune to economic disturbances. The stagflationary economy of 1969–1982 adversely affected Social Security, which required bail-out legislation in 1977 and 1983 that contained both benefit reductions and tax hikes.

Normal market volatility—unlike government policy errors—can be addressed by prudent portfolio management, using techniques that are well-known to financial planners.

Stephen Entin is a resident scholar at the Institute for Research on the Economics of Taxation.

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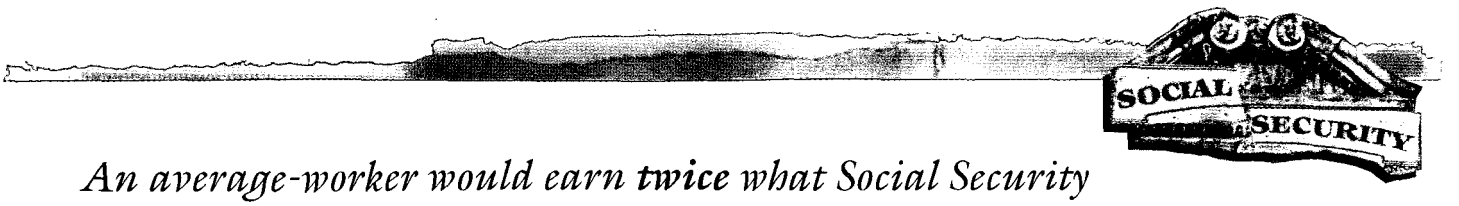

An average-worker would earn ***twice*** *what Social Security offered if he were allowed to invest just half of his Social Security taxes in an everyday mutual fund.*

their behalf through Social Security. And there's evidence they are right. A person would have to make exceptionally bad choices to do worse for himself than the government already does.

Consider some data from Stephen J. Entin of the Institute for Research on the Economics of Taxation. Under a continuation of our present payroll-tax system, an average-wage worker who retires on schedule will receive annual Social Security benefits equal to only 29 percent of his pre-retirement salary. That same worker could beat his Social Security payout by investing just 3 percent of his wages annually in an everyday mutual fund that earned only historically average returns on a 50/50 balance of bonds and stocks. His annual retirement income would be more than *twice* what Social Security offered if he invested just 6 percent of his wages in this common, easy, low-risk fashion. (See nearby table.)

The bottom line is that you'd have to be even dumber than President Clinton thinks you are before you'd fail to beat Social Security's payoff. As twentysomething research assistant Julie Bassett puts it, "It shouldn't be difficult for younger generations to achieve higher investment returns on their own retirement investments considering that rates of return under Social Security are substantially below the rate of return to private capital investment and, in some cases, even negative. Educated or not, anyone knows that is not a good investment."

Navigating From Old to New

The main challenge in privatizing Social Security will be making the transition from our current system to the new one. Taking all the Social Security taxes currently being paid by you and your employer and investing them instead in your personal retirement account will leave a hole in the federal budget. A gaping $300 billion in annual benefits promised to current recipients must be paid for by someone. These government obligations to current beneficiaries already exist, of course; they are not a new cost. The question is simply how they should be financed.

Social Security reform can provide current recipients with all that they've been promised, while offering younger Americans something much better than the dismal arrangement the government currently imposes. The critical requirement for making a transition that imposes no big losses is privatization. If done carefully, privatization can actually help almost everyone and hurt almost no one. That's because funds the government now takes from people and spends immediately would instead be invested, where they would earn a healthy return.

If the political authorities settle merely for tinkering with the benefit formula or the retirement age, or raising taxes, they will necessarily impose large losses on some groups. But privatization, by allowing people to create greater wealth for themselves

Why "Little People" Need Personal Savings Accounts

By Sam Beard

I started my career as a community activist on the streets of Bedford-Stuyvesant with Bobby Kennedy in the 1960s. Three decades and billions of dollars later, conditions in low-income communities are worse, and 80 percent of Americans are on a treadmill and cannot save.

America is supposed to be about saving and investing in our futures and passing on a better opportunity to our children. My interest in creating more wealth in parts of our society where there is currently none led me backwards into Social Security. I found that Social Security reform offers an opportunity to avert fiscal disaster while creating a nation of savers and owners.

A high school dropout with a minimum-wage job paying $10,000 per year must pay $1,240 of that to Social Security—a clearly regressive tax. But if allowed to divert a portion of that 12.4 percent into a personal savings account under the Social Security umbrella, he would end up with over $182,000 for retirement (in today's money). If he bought an annuity with that, his annual retirement income would be over $14,000, instead of the $8,006 Social Security currently promises.

From a $30,000 per year worker, Social Security taxes now take $3,720 annually. But with a personal savings account option that worker could end his working days with close to $500,000 in the bank in today's money. That's real financial empowerment.

Putting the private sector to work to save Social Security and create a nation of savers reverses the Social Security crisis. Instead of contemplating raising payroll taxes 50 percent or cutting benefits 40 percent, we can talk about *increasing* Social Security benefits by 50 to 200 percent.

Let's cut all Americans into the chance to accumulate wealth, to have choices, and to own something they can pass on to their kids.

Sam Beard, who ran job creation programs for four U.S. Presidents, is author of Restoring Hope in America: The Social Security Solution.

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than the government could give them, benefits everyone. New wealth is necessary if every group is to gain, or at least not lose.

A Pretty Good Transition

One way to make the transition would be to let everyone out of Social Security who wants out, but make them "pay" to do so. Everybody under a certain age could be allowed to leave the program immediately, with their payroll taxes being cut roughly in half (depending on how much they'd already paid into the system) as a result. They would be required to re-channel their freed-up funds into private savings instead. These dropouts would give up all claims to future Social Security benefits and all credit for past taxes paid. The Social Security system's revenues would decrease, but so would its liabilities and the number of recipients. Temporary shortfalls between revenues and benefit payments could be made up by selling government assets and, if necessary, tapping general revenues.

Such a transition is not ideal for young workers—who would still have to pay around half what they currently do in retirement taxes as the price of bridging the gap between our current regime and the reformed one. But they would still be left with five or six percent of their wages freed up to invest, and thanks to the power of compound interest that would make them dramatically better off by the time they retire.

If I had been advising Franklin Roosevelt in 1937, I would have said, "Franklin, don't do it." Unfortunately, in 1997 we're trying to plan our way out of the mess that is FDR's legacy. Compared to what his system has in store for them, personal retirement accounts will do miracles for Baby boomers and Generation Xers.

David Henderson is a research associate with Stanford University's Hoover Institution and an adjunct scholar with the American Enterprise Institute.

Social Security as a Property Right

Former senator Malcolm Wallop suggested a new way of thinking about Social Security in an interview published in Reason *in November 1995:*

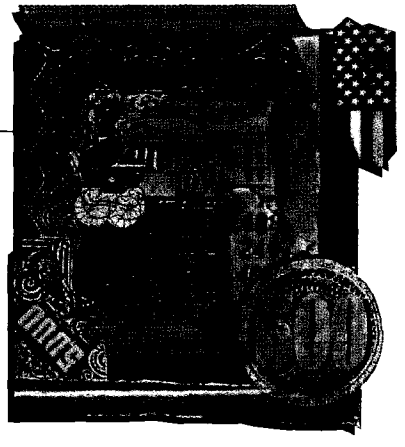
"We're taking on Social Security as a property rights issue. We figure that every single American has an absolute property right interest in the fruits of his or her own labor. What I work for should be my property.

Along comes the federal government and takes 15.3 percent of that laborer's fruit and promises that should you die prematurely, the government is happy to be the beneficiary. Should you live to the time of retirement, you will receive benefits which have not yet been described, at an age which has not yet been guaranteed, and taxed at a level which has not yet been identified.

You have no say in how it's invested or where it goes. You can't leave it to your widow, you can't leave it to your children, you can't retire early and still have the fruits of your labor. I'll crawl off my libertarian perch far enough to say that we have to make savings an obligation, but the savings are yours. You will have a couple of dozen options as to how to invest that or where to save it, but your limit of earnings will be the success of your investments.

There is no more unfair tax right now than Social Security. It takes 15.3 percent off of the wages of the poorest earner in this country. And privatization would make each American a shareholder in their economy, and interested in where it's going. Think of what the country could do with this huge infusion of capital that was no longer in the hands of government but in the hands of people creating jobs."

Personal Savings Accounts Would Invigorate the Nation's Economy



By Bruce Bartlett

Privatizing Social Security, either in whole or part, would have a significant impact on economic growth and living standards in the U.S. Indeed the benefits could be so large that they offer a potential "free lunch" in which everyone is better off, with the gains from privatization more than offsetting the costs of changing the system.

Precious Savings

The principal gains from privatization come from converting "paper" Social Security wealth (the theoretical benefits today's worker will receive at retirement) into tangible private saving. Saving, of course, is essential to economic growth. It provides the resources for investments in new technology, tools, and equipment that enhance productivity. In the long run, countries that save more tend to grow faster than those that save less.

Retirement is the principal motive for saving during one's

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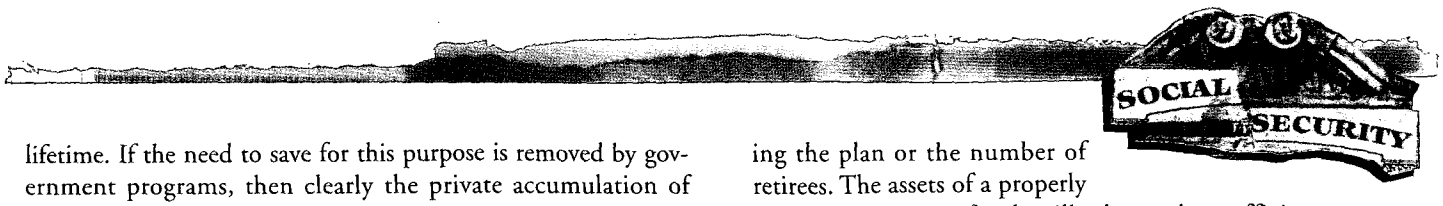

lifetime. If the need to save for this purpose is removed by government programs, then clearly the private accumulation of wealth will be considerably reduced. There is good evidence that Social Security has reduced private saving in the U.S. Estimates by Professor Martin Feldstein of Harvard University indicate that each dollar of future expected Social Security benefits reduces private saving today by about 2 to 3 cents. This may not sound like much, but with the current value of future Social Security benefits at about $11 trillion, that suggests Social Security has lowered private saving in this country by about 60 percent.

Interestingly, a major component of Social Security's negative effect on saving comes from its impact on consumption by the elderly. A study published earlier this year by the Brookings Institution shows that the increase in Social Security benefits since 1960 has substantially increased consumption by the elderly. In 1960, the average 70-year-old consumed 29 percent less than the average 30-year-old. By 1990, the average 70-year-old consumed 18 percent *more* than the average 30-year-old. The study concluded that the U.S. saving rate would be 47 percent higher if relative consumption by the elderly were the same in 1990 as in 1960.

Public vs. Private—What's the Difference?

Unlike the saving in a private pension fund, the Social Security "trust fund" is a fiction of budgeting. By law, all of the "assets" of the trust fund (the difference between tax revenues received and benefits paid out) are invested exclusively in U.S. Treasury bonds. Which means that revenues from the payroll tax that are not immediately used to write Social Security checks simply go towards other government spending. But after 2012, Baby Boomers will be retiring in droves, and Social Security taxes will no longer be sufficient to pay benefits owed. Cashing in the "assets" of the trust fund, which are nothing but a bunch of IOUs from the Treasury, will require Congress either to sharply increase federal income taxes or to slash non-Social Security programs so that the federal budget will have sufficient funds to pay the IOUs to the Social Security Administration.

To be sure, as supporters of the Social Security system constantly point out, there is nothing inherently unsound about having a pay-as-you-go pension system like this. The problem facing us today is that the vast revenues paid in by the baby-boom generation have been used to finance a sharp rise in Social Security benefits. But the baby boom was followed by a baby bust, and so if we tax the baby-busters at the current level, we will not bring in enough money to pay retired Baby boomers benefits as generous as today's retirees receive. Either benefits will have to be cut or taxes will have to rise. After the year 2029, when the trust fund's IOUs from the Treasury are entirely exhausted, a fifth of every American paycheck will have to be taken to pay promised Social Security benefits, according to estimates by the Social Security trustees.

These problems do not arise in private pension systems, because there, end-of-life benefits are paid out of assets accumulated during the retiree's working life. There is always a direct relation between what is contributed and what is disbursed. Benefits are never contingent upon the number of people entering the plan or the number of retirees. The assets of a properly managed pension fund will always be sufficient to pay promised benefits.

To achieve this, private pension managers invest the capital of the pension fund in productive assets. The returns on such investments, compounding over many years, make it possible for the pension fund to meet its obligations. Today pension funds invest in a wide variety of assets, including bonds, real estate, and, especially, common stock. The funds are managed by professionals who bid for the right based on their ability to achieve or exceed a market rate of return.

The Magic of Real Investment

According to the Federal Reserve, pension funds are now one of this country's most important sources of financial capital. At least 25 percent of all corporate equities are owned by pension funds. When a company issues a public offering of stocks or bonds in order to expand or modernize its factories or other productive capacity, pension funds are likely to be the ultimate source of funds. In short, the private pension system of this country provides much of the fuel that feeds our economy.

If Social Security could be converted from a pay-as-you-go system that adds nothing to the pool of saving to one that is a source of investment funds, the change would potentially provide trillions of dollars for additional private investment. This would increase productivity, which would raise wages and living standards for all Americans.

It would also raise Social Security benefits, because the rate of return on private investment is far higher than the return on Social Security taxes paid. According to economic theory, the most that people can expect to receive from their Social Security contributions is a return of 2.5 percent per year. The average person will do much worse than that, with many of us actually losing money. By contrast, the real return on capital invested in private corporations has been about 9 percent per year over the last 35 years. The difference between these two figures is substantial, especially with compounding over a 45-year working life.

By way of example, Feldstein observes that in order to buy around $5,500 of income 30 years from now, assuming a 2.5 percent rate of return, a worker would have to be taxed $2,600 today. But if he could make a 9 percent real rate of return, he would only have to be taxed $411 today. This suggests that a 2 percent tax rate, if privately invested, would provide the same benefits as Social Security's present 12.4 percent payroll tax provides.

Tax Pain

Thus the biggest cost that workers pay for today's government-run Social Security system is their being taxed at a rate 10 percentage points higher than necessary. This imposes enormous distortions on the economy for several reasons. First, for most workers the payroll tax comes on top of federal and state income taxes, plus the Medicare tax. For a single worker with a taxable income above $24,000, or a married couple with an income above $40,100, this means that they are paying almost 50 percent in taxes on each additional dollar earned (28 percent federal

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income tax rate plus 5 percent average state income tax rate plus 15.3 percent to the Social Security Administration, for a total of over 48 percent tax on every extra dollar earned).

With the payroll tax coming on top of other taxes, this means that the excess burden is far higher than if one looks at the tax in isolation. Economists calculate how much a particular tax discourages work or production and call this cost (over and above what the tax itself takes) the "deadweight cost" of the tax. Martin Feldstein estimates the deadweight cost of the Social Security tax to have been $68 billion in lost economic output in 1995 alone.

The Social Security tax also distorts business decisions. For example, it encourages employers and employees to convert wage income into non-wage income (such as medical or other benefits) because these sorts of compensation escape the tax.

For a long time, economists ignored the economic distortions caused by the payroll tax. For one thing, the tax rate was initially quite low (just two percent on wages up to $3,000), and the number of workers affected by it was much more limited than now. Today, of course, the tax rate is much higher and coverage is virtually universal. The Social Security tax itself is 10.52 percent on all wages up to $62,700, plus a disability insurance tax of 1.88 percent. Then there is an additional tax of 2.9 percent for Medicare on all wages, with no limit. For almost three-fourths of workers, this payroll tax is the single largest tax they pay.

The run-up in the burden of the Social Security tax has actually been even sharper than the rise in tax rates suggests, because earlier workers at least received benefits in return for their withheld pay. But Baby Boomers and all Americans born after them will not only pay far more but also receive a lot less at retirement—a double whammy.

To the extent that privatization increases the financial soundness of the Social Security system, and restores younger Americans' confidence that they are eventually going to get

How Much Does Social Security Really Cost?

By James L. Payne

Old bureaucracies die hard. Now that Americans have started to notice that they can save their own money for their own retirement, they are wondering why they need government to carry out this task for them. Defenders of the existing system are scrambling for an answer. What they have come up with is the idea that Social Security is economically efficient, its overhead costs remarkably low. Social Security Commissioner Shirley Chater is declaring, "every chance she gets" according to her press officer, that Social Security is impressive because "the administrative costs of the U.S. Social Security system are very low—less than one percent of revenues." She claims this compares favorably with the overhead costs of the partly privatized Chilean system, which she says are "in the neighborhood of 15 percent of revenues."

It's too bad that federal regulations about truth in advertising don't apply to claims made by government officials in support of government programs. If they did, Ms. Chater would be facing some stiff penalties. The on-budget cost of running the Social Security bureaucracy is a tiny part of the full cost of operating the U.S. Social Security system. The truth is that Social Security has staggering overhead costs.

These fall into two categories: the overhead costs of raising revenues and the overhead costs of giving out benefits.

Everyone in business and the nonprofit sector knows that it costs money to raise money. When it comes to government programs, however, we tend to overlook fundraising costs. Perhaps this is because it seems that the coercion of taxation is frictionless. You just say, "Your money or your life," and the result is a fistful of currency, quietly handed over.

Yet coercive systems of fundraising have enormous overhead costs; in fact, they are generally less efficient than voluntary systems. Social Security tax monies do not float effortlessly and harmlessly into the Treasury. There is a great deal of agony and waste involved. First, there is the tax compliance cost: all the time citizens spend studying tax rules, keeping records, making calculations, and filling out forms. An IRS study found this consumed 5.4 billion man-hours in 1985; by 1995, the figure had risen to 10.2 billion hours—the equivalent of the entire labor force of Indiana, Iowa, and Maine working all year long.

Then there are disincentive effects—the way taxes discourage economic production. Economists Charles Ballard, John Shoven, and John Whalley have estimated that the cost to the economy of extracting one additional dollar in taxes is 33 cents worth of lost production. A study by Jerry Hausman on the effects of taxing labor (which might be most directly relevant to how Social Security taxes depress individual work) found a disincentive effect of over 28 cents on the dollar.

Other tax system costs include the waste and injury caused by penalty disputes, forced collection actions, tax litigation, and losses attributable to tax-avoidance activities. When all of these different burdens are added together, my calculations suggest that raising one dollar in taxes may entail overhead costs as high as 65 cents (with most of this hidden from view because it is absorbed by the private sector).

Just as there are massive overhead costs in collecting Social Security monies, so there are large costs in giving it out. The expense of running the Social Security Administration is a fairly trivial aspect of the burden. The private sector burden of compliance is much larger: all the time citizens and their representatives spend filling out forms, entering over three million new claims each year, attempting to correct errors with the Social Security Administration, and litigating for benefits.

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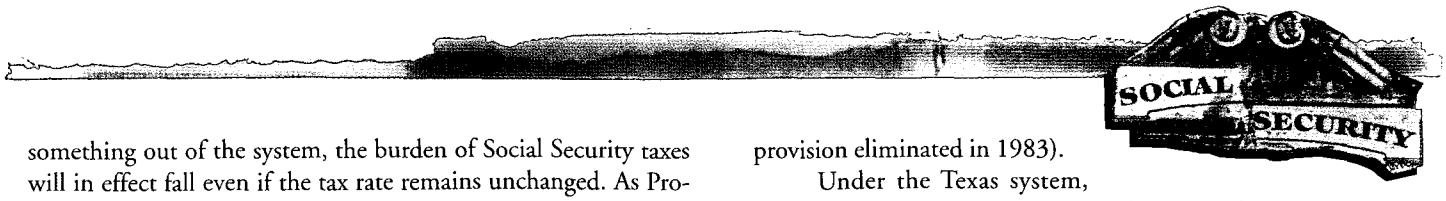

something out of the system, the burden of Social Security taxes will in effect fall even if the tax rate remains unchanged. As Professor Laurence Kotlikoff of Boston University explains, privatizing Social Security immediately links money extracted in youth to money received in old age, and thereby reduces the total burden on labor. This will stimulate additional work, leading to increased output, saving, and capital formation.

An American Model of Privatization's Benefits

What would a privatized Social Security system look like? Many advocates point to foreign examples like Chile. It turns out, however, that an excellent example of Social Security privatization already exists in the U.S. According to a recent study from the National Center for Policy Analysis, workers in three Texas counties in effect privatized Social Security for themselves in 1981. At that time municipal governments could opt out of Social Security (a provision eliminated in 1983).

Under the Texas system, workers in Galveston, Brazoria, and Matagordo Counties contribute about 6 percent of their pay, matched by a somewhat larger "contribution" from the county, for a total tax of just under 14 percent. Of this, about 10 percent goes into a worker's retirement account, which pays 6.5 percent interest compounded daily. The remainder pays for disability and life insurance premiums. Workers continue to pay the Medicare tax and will be eligible for Medicare benefits at retirement.

First Financial Benefits, the company that created and administers the plan, estimates that someone retiring today at age 65, with 40 years of deposits and an annual salary of $20,000, would have $383,000 in his retirement account. Someone who earned $50,000 per year over 40 years would have $956,000 in his account. The first worker's assets would be sufficient to buy an annuity paying $2,740 per month for the rest of his life, com-

In 1994, the public made 64.7 million telephone calls to the Social Security Administration on its toll-free number. Just the time spent waiting for Social Security to pick up, an average of 6.2 minutes per call, meant a waste of 6.7 million hours for the callers. The average value of labor in 1994 was $15.09 per hour, so the value of this wasted time alone amounts to $100 million. If one then assumes that each of these telephone calls takes an average of two hours of before and after involvement on the part of the caller or his representative, then the private sector burden reflected in just these calls is $2 billion. The Social Security Administration, reluctant to admit that it forces Americans to do work for their benefits, doesn't acknowledge the cost of any of this.

Another disbursement cost is the disincentive to work. Many seniors would like to work after retirement. It would be good for them, and good for the economy. But Social Security benefits are given out under a formula that reduces payments if too much wage income is earned. This discourages work and makes seniors and society poorer. Estimates of this disincentive effect vary widely. One study by the Social Security Administration claimed a total of $2 billion in lost earnings. A study by Gary Burtless and Robert Moffitt suggests the figure was more like $25 billion in 1994.

Probably the largest disbursement burden is the "benefit inflexibility cost." A person who controls his own retirement money has the freedom to use it in the amounts, and at the times, that best serve his needs. Social Security funds, on the other hand, are doled out monthly in fixed amounts. Since money is more useful when it can be applied in a lump sum if necessary, the monthly payment system causes a less than optimal use of retirement funds. For example, a senior who would like to prepay a rent or utility bill on a quarterly basis cannot do it if he depends on Social Security—even if that would save him money overall. He cannot make a loan to his children, even when this would benefit both the children and the retiree. He cannot use Social Security money in lump-sum form to invest in a business, or buy a cheaper house in the country. In all such cases, an economic price is paid in not allowing people to spend "their" money as best suits their needs.

It is a sign of how little we notice the real costs of Social Security that no one has calculated the total Social Security disbursement cost. It could easily amount to scores of billions of dollars in compliance work, lost economic production, and limited economic choices.

If the overhead costs of disbursement and tax collection are added together, the total could hardly be less than about 60 percent of benefits, and could be a good deal higher. That amounts to hundreds of billions of dollars a year.

The retirement system with the lowest cost is one based on individual freedom and personal responsibility. When the worker completely controls the inflow and outgo of his own retirement savings, there are no economic disincentives and the only compliance costs are the costs of administering his chosen investments.

Legislators are unlikely to give workers complete freedom in managing their retirements. The point is that the closer we get to individually directed retirement accounts, the lower the total overhead costs to society will be.

Political economist James L. Payne is a Bradley Fellow at the Heritage Foundation. His books include Costly Returns: The Burdens of the U.S. Tax System *and* The Culture of Spending: Why Congress Spends Beyond Our Means.

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pared to today's Social Security benefit of $775 per month. The second worker could have an annuity of over $6,800, compared to $1,300 from Social Security.

Overall Benefits Can Pay for the Transition

If the gains to privatization are so great, what are the barriers? The simple answer is the cost of transition. If our Social Security system were being started from scratch right now, there would be no sensible argument against a mostly private system as outlined above. But thanks to Franklin Roosevelt's legacy, today's retirees now depend on the taxes of current workers for their benefits. It obviously would be impossible to simply end Social Security benefits for existing retirees in order to start from scratch with a privatized system. And it will take some effort to make it possible for current workers to save for their own retirements while they simultaneously pay taxes to support current retirees. The question becomes how to construct a system that moves toward privatization without endangering current benefits.

Martin Feldstein believes that the gains from even partial privatization are potentially so great that the transition from the current system to a private system would be far less costly than previously imagined. In the short run, workers would have to continue to pay the Social Security tax as well as contributing an additional 1 to 3 percent to their own private retirement. But in the long run, Feldstein estimates that a tax of just 2.1 percent under a privatized system would provide the same benefits as the current 12.4 percent tax, due to the higher rate of return on privately invested saving.

From Radical Idea to Common Sense

Three decades ago Barry Goldwater was castigated for even suggesting the idea of privatizing Social Security. This year the Social Security Administration's own official advisory council was virtually unanimous in recommending movement towards privatization. So the principle of privatization now appears to have official sanction.

It is not possible to estimate with any degree of accuracy what the full benefits of a privatized Social Security system would be. It's obvious, though, that any reform that leads to a sharp reduction in the payroll tax and a significant expansion of private saving cannot help but enormously increase the size and health of the U.S. economy over time.

Bruce Bartlett is a senior fellow with the National Center for Policy Analysis. He served as deputy assistant secretary of the Treasury for economic policy during the Reagan and Bush administrations.

Personal Savings Accounts Would Strengthen Families

By Allan Carlson

Right from the beginning, the Social Security system in America has been linked to the idea of family failure. In 1933 a massive government study entitled *Recent Social Trends* argued that "the decline of the institutional functions of the family" and a "permanently" low birthrate had made families unreliable as social units, particularly for providing security in old age. The New Dealers endorsed this assumption, along with the view that it was proper to further reduce the power of the family through taxation of income and wealth.

During the latter third of this century, these New Deal principles became self-fulfilling prophecies. Working through our Social Security system and other parts of our government, these ideas directly undermined the economic and social circumstances that had sustained the family-centered "Baby Boom" of the 1950s.

Is it possible that privatizing Social Security at the turn of the millennium could affect the American family in the opposite way? Could giving economic resources and social authority back to family members reinvigorate society's most basic building block? I suggest that if we established fully owned individual accounts that could be inherited and divided among descendants, the effect could be profound.

Linking the Generations

In the pre-industrial, land-focused, and family-centered world of early nineteenth-century America, the aged used their control of financial resources to maintain their status and security. Elderly men and women used gifts and bequests to bind their children to them. Transfers of land and other tangible assets rode on the loyalty of children to the family line. As historian James Henretta has put it, parents of the time raised children to "succeed them," not merely to "succeed." With wealth tied principally to inherited land, duties and rights criss-crossed the generations. The decisions and actions of youth were conditioned by their acceptability in the eyes of parents. Henretta again: "The line was more important than the individual; the patrimony was to be conserved for lineal reasons."

A privatized Social Security system should create a new sort of patrimony, one rooted in equities, bonds, and other investments rather than in land. Regular workers at even low levels of compensation would own enormous assets on retirement, a large share of which could ultimately be transferred to children through loans, gifts, and bequests. Inter-generational sentiments and bonds, once again reinforced by broad economic incentives, should grow in importance, and the multi-generational family should flourish.

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Supporting Marriage and Childbearing

Not only blood lines, but marital bonds as well should be strengthened by a privatized old-age pension system. The experience of the last 100 years testifies that "love is not enough" to sustain strong marriages. Small communities of economic interest must also exist within homes, a sense of common endeavor that lifts couples above their individual interests.

Chilean economist Christian Larroulet reports that if you go into one of the offices where Chile's private pension funds are managed today, "you see many couples asking in a simplified computer terminal about their future pension." The Chilean system rewards family effort—and family unity. Already, under the laws of most U.S. states, spouses enjoy some legal claim to their partner's private pension earnings. A vastly larger system should strengthen this vision of community property, encourage the economic logic for becoming and staying married, and in this way also discourage divorce. Economic interests would again be in harmony with family interests.

In addition, there would be an encouragement to fertility. The negative influence of tax-based government retirement systems on the birth of children is so well known that it bears among sociologists a generic name: "The Social Security-Fertility Hypothesis." Simply put, government pensions operating on a tax-and-transfer basis undermine the logic for having children. One's own offspring are no longer needed as an "investment" toward security in later life. Indeed, the new logic for individuals becomes: "Let others bear and pay for the rearing of the children who will support me in my old age." The childless adult prospers as a free rider on the system.

A privatized system should diminish (if not exactly reverse) this logic. It's unlikely the pre-modern habit of viewing one's children as primary "insurance" for old age would reappear, since that role would be taken on by one's investments in the private economy. But with state distortions of family relationships diminished, children at least would no longer be transformed by official action into economic liabilities. Within the context of a strengthened sense of lineage, stronger marriages, and family security rooted in the new patrimony, we should expect a greater propensity to bear children, and somewhat larger families.

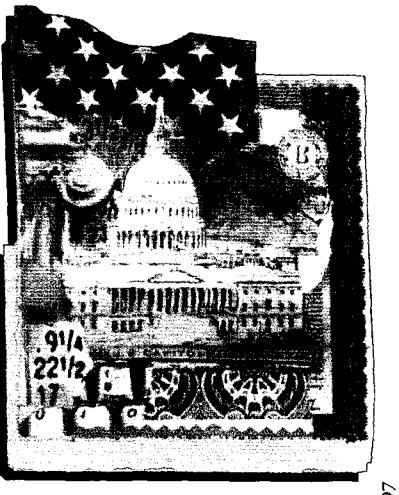
Bolstering Home Life, Shrinking the State

A final benefit of privatizing Social Security would be a withering of the state. The social history of the last 150 years might be written as the steady displacement of the patriarchal family by the matriarchal state. Education, child protection, economic security, and child care have all been taken from the family and absorbed by the nanny state. To privatize old age security is to strike back at the very heart of this process, and to return to the family domain a significant part of its natural authority. The precedent might encourage other blows against the parent state as well, such as a restoration of educational authority to families, or the return by working parents to the care of their own small children at home.

A lesson learned over the last century is that family autonomy must be buttressed by economic arrangements, and vice versa. The grand experiment in state old-age pensions has failed partly because it discouraged family links. A privatized Social Security system should be a central theme of any true "family values" platform in the future.

Allan Carlson is president of the Rockford Institute.

O.K., Social Security Needs A Bypass—But Will Our Politicians Allow It?



By James K. Glassman

Three years ago, Mark Sanford, a South Carolina real estate developer and former New York investment banker who had never run for office, decided he wanted to become a congressman. He ran for the House seat being vacated by Rep. Arthur Ravenel, in a heavily Republican district in Charleston. After a tough primary, he won the general election easily.

Over the next two years, Sanford, who's now 36, became known on Capitol Hill for two things: (1) sleeping in his office rather than in an apartment, and (2) proposing to change Social Security radically. Like a handful of other members of Congress—notably fellow Republican Reps. Nick Smith of Michigan and Jim Kolbe of Arizona, and, to a more modest degree, Democratic Sen. Bob Kerrey of Nebraska—Sanford wants to replace at least part of the 60-year-old government-run retirement program with personal investment accounts that Americans can control themselves.

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None of the three most visible congressional advocates of shifting Social Security from the public sector to the private had trouble winning re-election.

Sanford not only wants to privatize Social Security, he's not shy about telling his constituents about it. During his campaign for re-election, he talked to voters at Rotary Clubs and senior citizens' centers, and to hear him tell it (and to read the newspaper accounts), his ideas were received enthusiastically. He even brought José Piñera, the labor minister who privatized Social Security in Chile, to Charleston for several town meetings to explain how well the private system is working now in Latin America.

Piñera, a persuasive speaker, reported to the Carolinians that Chile's privatization boosted national saving (sparking a country-wide economic boom), reduced financial demands on the government, and increased citizen confidence in a retirement system that they had come to doubt would ever provide the benefits promised. "He got really fired up about it," smiles Sanford.

Sanford won re-election this November with 97 percent of the vote. In Tucson, Kolbe received 69 percent, while in Michigan's rural Seventh District, Nick Smith won by 10 percentage points. So none of the three most visible congressional advocates of shifting Social Security from the public sector to the private had trouble winning re-election. Kerrey, who favors doing the same thing more gradually, wasn't up this year, but he remains a popular politician.

Social Security Is No Longer "Untouchable"

The cliché that Social Security resembles the electrified third rail on subway tracks (touch it and you're dead) seems to have been repudiated by the results of the three races I've just described. Still, one shouldn't rush to conclude that significant reform of the sort that allows private investments is a political winner. Only that Social Security reform is not an automatic loser.

Although reform that includes a healthy dose of privatization is both logical and attractive (it could simultaneously save a system headed for bankruptcy and also provide a better income for retirees), I suspect it will eventually face withering fire from Democrats, who will recognize that the very foundation of their party's appeal to voters is at stake. If the mass of Americans, permitted to invest privately the money they now fork over in payroll taxes, can take care of their own retirement needs without relying on the heavy hand of government, then why can't they take care of their own medical needs? The schooling needs of their own children? Pull on the Social Security thread, and the entire protective cloak of the welfare state may unravel.

So far, this opposition is largely unseen because we're in the non-threatening, intellectual stage of developing a big public policy idea (as we were with the flat tax before the Republican primary). Senate Minority Leader Tom Daschle lent support to privatization in an interview November 25 with the *Washington Post*. "People want a better return on their savings," he told David Broder. Even President Clinton himself, a well-known policy noodler, has shown interest in Chilean-style changes to Social Security. In an interview in July on MSNBC, the cable network, he was asked if he supported the idea of giving Americans the alternative of investing some portion of their Social Security payroll contributions privately. "I think that's something that could be tested," he replied.

The Danger of Demagoguery

Come election day, however, proposals to change Social Security become weapons. In a September interview, Clinton backpedaled from the open-mindedness he had expressed in July. (See page 51.) The underfinanced Democrat who ran against Rep. Smith hammered him over the bill Smith introduced last year to allow workers the option of investing most of their Social Security payroll taxes in a personal retirement account. (The proposal would also reduce benefits for higher-income Americans and raise the retirement age to 69 by the year 2018, then index it for changes in life expectancy.) Though the attacks did not defeat Smith, he believes they hurt him. This convinced the congressman "that it's necessary to have a bipartisan effort" if Social Security reform is to pass. (So far, the caucus of House members sympathetic to major changes in Social Security, founded last year by Kolbe and Texas Democratic Rep. Charles Stenholm, has nine Democrats and 20 Republicans.)

Still, despite the attacks from his challenger, Smith received good press on Social Security during the campaign. Typical was the *Lansing State Journal*, which ran an editorial headlined, "Social Security: Its Rescue Has a Champion."

Smith is still learning how to sell the idea of changing Social Security. It can be a difficult task. "The big challenge," he said, "is to convince people that there's a real problem. Most people think if government would just keep its cotton-picking hands off the trust funds, everything will be OK."

Kolbe, who was just elected to a seventh term, has been preaching Social Security privatization to his constituents for so long that most of them now accept the premise that a dramatic fix is needed—and a large share of the residents of his Arizona district are elderly. In breezing to re-election this year, Kolbe bore not only his outspokenness on Social Security but also the disclosure a few months ago that he is homosexual.

Still, he worries at least as much as Smith does. "I'm a little dismayed by what happened with Medicare reform," he told me. "Social Security reform is far more dangerous than Medicare, and we saw what the President did on that one."

A Popular Pitch for Privatization

Sanford is much more sanguine. Irrespressible, even. He ticks off the high points of his standard Social Security speech, which, he claims, rarely meets serious challenge from the audience. He first tells voters that the trustees "say it will go bankrupt in 2029 and

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face deficits starting in 2012." So it seems that the only answer is either benefit cuts or tax increases.

Then he points out that much progress has been made in Washington over the past two years in slowing non-entitlement spending. "But the part of the government that's on automatic pilot has gone way up," he warns. And so the next vital step "is addressing these entitlements."

Finally, Sanford talks about the present system—by which the government takes your tax dollars and gives them to current Social Security beneficiaries, with the annual excess (soon to disappear) going to fund the federal deficit—and about how it could be replaced with private retirement accounts. "I tell them that we want to empower people, put them in charge of their own money," says Sanford. "They seem to like that a lot."

Polls Indicate the Public's Mind Is Open

Sanford's right. In June, the Cato Institute commissioned a survey by Public Opinion Strategies to test public attitudes toward Social Security. The survey described this plan:

- You would be allowed to keep and invest the amount you now pay in Social Security taxes to save for your own retirement.
- You would decide how to invest the money, with some restrictions to limit very risky investments.
- Money could not be drawn until retirement.
- Any money left in your account when you die becomes part of your inheritance.
- There will be no reduction in benefits for current Social Security recipients.
- People under age 65...but over age 18 would have the choice of staying in the current Social Security system or moving to the new privatized system. Those choosing the new system will receive some partial benefits under the old system.

This is a good description of the general overhaul that's favored by Sanford, Kolbe, and Smith in the bills they've introduced. And the Cato survey found that 40 percent of Americans "strongly favor" it, 30 percent "somewhat favor" it, and only 13 percent oppose it.

A later question in the same poll asked respondents to choose between two ways to reform Social Security: (a) "the proposal that would gradually increase the retirement age, reduce benefits for people earning more than $100,000 a year, and reduce the rate of Social Security increases each year," or (b) "the proposal that would allow you to invest your Social Security taxes into your own personal retirement account like an IRA or 401(k)." Proposal (a) was favored by 20 percent, (b) by 67 percent.

Answers to questions like these depend heavily on exactly how they are presented and explained. A Yankelovich Partners survey done for Time/CNN in July found that only 37 percent of registered voters favored (while 51 percent opposed) a plan to "turn much of the Social Security system into a private retire-

When Government Pits Old Against Young

By Blake Hurst

In the last 30 years, per capita spending on entitlements has increased ten times as fast as the wages of working Americans, with most of the increase going to the elderly. First year Social Security benefits for an average retired couple basically doubled. The value of Medicare benefits bestowed on a typical male retiree rocketed from $27,000 in 1970 to almost $131,000 in 1995.

As a result of these shifts, many Americans who retired in the 1980s or before will get back from the Social Security Administration not only all of their Social Security taxes, but also every penny of income tax they ever paid during their working lives. You may ask: Then who paid for the roads, schools, national defense, and other services those Americans consumed over the decades? The answer: The cost was shifted to their children.

This is a huge transfer of wealth from the young to the old. And it is showing up in standards of living. According to Boston University professor Laurence Kotlikoff, the average 70-year-old today consumes nearly a fifth more than the average 30-year-old. In 1960, those proportions were reversed. It is almost impossible to talk about Social Security and the other entitlement programs for the elderly without being overwhelmed by numbers like these.

Of course, were I foolish enough to share these thoughts with my 95-year-old grandfather who gets a monthly check of more than $1,600 from Social Security, he would be unconvinced. He assumes he's just receiving back what's owed him. But he, like nearly all of our current retirees, has long since received back every dollar, with interest, that he contributed to the system. His benefits are a windfall, with no justification except for the political clout that the American Association of Retired Persons and the entitlements lobby wield.

But my grandfather made his way through life successfully by following two simple rules: Work hard, and don't borrow money. Those rules still apply. And that's why we have to reduce the unfunded liabilities of our current entitlement programs—which amount to a huge mortgage dumped by America's elders onto their successors.

We need Social Security reform. And if we're going to be serious about the effort, we'll have to spend some time talking about Grandpa's windfall.

Blake Hurst is a regular contributor to The American Enterprise.

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"I tell them that we want to empower people, put them in charge of their own money," says Congressman Sanford. "They seem to like that a lot."

ment system that would no longer be funded completely by the federal government."

Arguments for and Against

Smith says the strongest argument he has heard in opposition to privatized Social Security is, "What if people invest with snake-oil salesmen?" Or, to put it slightly differently, "Will Americans be able to make wise investments for their retirement, or do they need the federal government to take care of them?"

Even Smith, whose views tend to the libertarian end of the spectrum, believes that Washington will have to guarantee against heavy losses to make sure recipients get at least a minimum benefit at retirement. Chile's system restricts the types of assets in which private retirement plans can invest.

These, however, are technical questions. The political issue revolves around whether Americans, after 60 years of having Uncle Sam safeguard a large chunk of their retirement assets, are willing to go it mostly alone. Smith, with all his experience selling privatized Social Security, thinks that they are.

"The unions oppose reform," he says. "They say that you need the government. But when you talk to the workers, they strongly support reform. They want something that's their own, that's theirs and they know is theirs. They also know they can get a better return on their investment than Social Security gives them."

When you consider the payroll taxes they contribute and the benefits they will get, an average-wage couple retiring in 2027 will receive a real return of *negative* 1.4 percent a year on their Social Security "investment," according to Arthur P. Hall, senior economist for the Tax Foundation. A sensibly balanced portfolio of stocks and bonds, such as any mutual fund offers, can do much better than that without much risk. William G. Shipman of State Street Global Advisors calculates that a Baby boomer born in 1950 and currently earning $60,000 can expect monthly Social Security benefits (in 1995 dollars) of about $1,600. But if, instead of paying taxes to Social Security, he puts the same money into a retirement account that's half-stocks, half-bonds, he'll have a monthly income of $7,500 (again, in 1995 dollars). Those are powerful figures, and sure to be influential when they begin to sink into the popular consciousness.

Americans Aren't Wedded to Today's Social Security

Already, younger Americans understand that the Social Security system is in terrible trouble. A survey in 1994 by Frank Luntz and Mark Siegel for the Third Millennium group found that more young people (ages 18 to 34) believe that flying saucers exist today (46 percent) than believe that Social Security will exist when they retire (28 percent). And in the Cato study of adults of all ages, 43 percent said that the system needs "radical" or "major" change.

Raising taxes or cutting benefits aren't popular solutions. Nor should they be. Social Security is already a gyp for anyone under 50. Such changes would make it even more of a gyp. But the type of Social Security reforms proposed by Smith, Sanford, and Kolbe could be very attractive to the public if the actuaries can solve the problem of how to provide current retirees with benefits while moving younger Americans into the new private system.

The fact that all 13 members of the Social Security Administration's official advisory council—including the union-backed and Clinton-selected panelists—now support redirecting some of the $350 billion in payroll taxes collected each year into stocks is extremely significant. There are huge differences over whether the government or individual Americans should control those investments. But just getting a mixed group of liberals and conservatives to accept that something more than marginal tinkerings will be needed to save Social Security represents a striking change from the past. "All of a sudden," write Shipman and Marshall N. Carter in their new book *Promises to Keep*, "real reform is not only a matter of national interest but of political self-interest as well."

Showdown over Big Government?

The truth is that Social Security reform on the scope of privatization hasn't yet been given a true test in the crucible of politics. In theory, a political fight might be avoided. A bipartisan commission could propose Smith-like reforms and both parties could agree to acquiesce for the good of the country—to balance the budget and boost national savings.

That scenario, I think, may be too optimistic. Demagoguery will be hard for Democrats to resist even under the best of circumstances, and party leaders may very well refuse to consider privatization on the grounds that the welfare state itself hangs in the balance. Ever since Franklin Roosevelt, Democrats have successfully used entitlements as a way to bind middle-class voters to government—and more specifically, to the party of bigger government. When Washington sends you money every month, you have a stake in its continued flow.

Kolbe describes the politics this way: Social Security reform of the sort he favors "would be the ultimate empowerment, and liberals in Congress would absolutely oppose it because the idea is that you, as an individual, will take control of the whole thing. Government won't run your retirement. You don't have to depend on Washington." But of course much of Washington *likes* having you depend on it for your sustenance.

Time for a Bypass

Viewed as a pension plan (which is what most Americans think it is), the current Social Security mechanism is strange, even absurd. Why should roughly one-eighth of every worker's pay go to the

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federal government with a promise of unspecified payments many years down the road? Why the intermediary? Can't most workers entrust the same funds (probably on a mandatory basis) to investment firms which would then buy stocks and bonds and provide capital that makes businesses grow and creates better jobs?

Of course. Educated professionals and poor peasants alike have been doing it in exactly that way for more than a decade in Chile. Workers in this country already do it on a large scale with IRAs, 401(k) plans, and employer pensions.

The question at the root of Social Security reform is whether to change the route that savings take on their way to becoming retirement income. That route currently passes, extremely inefficiently, through the federal government—which thereby keeps the control and gets the credit. A bypass is clearly in order. But will politicians allow it to be built?

James K. Glassman is the DeWitt Wallace-Reader's Digest Fellow at the American Enterprise Institute. He writes weekly columns for the Washington Post *on finance and politics.*

Why "Conservative" Entitlement Reforms Are Coming, Like It or Not

By Karl Zinsmeister

With even our Democratic president proclaiming that "the era of big government is over," it's obvious Washington is in the midst of a long-term shift toward more conservative politics and economics. The daily media usually point to today's new cast of politicians or the power of fresh ideas cooked up by conservative intellectuals over the last two decades as the sources of this rightward shift.

Actually, there are more fundamental forces pushing us toward "conservative" government reforms. The most basic of these are demographic. Lower birthrates are producing fewer future workers and taxpayers. Meanwhile, retirees are living longer, and consuming at higher levels. As a result, the favorite liberal formula of repeatedly cranking up government benefits—because the costs can be quietly spread over successively larger generations of taxpayers—suddenly no longer works. Most dramatically, demographic change is now breaking down our huge middle-class entitlement programs, to the point where they will have to be either discarded, downsized, or drastically reformed. The best example of this is Social Security.

Contrary to popular opinion, the Social Security taxes withheld from your paycheck are not invested in your name in some trust fund so as to be available when you retire. Those annual thousands of dollars go right back out the door shortly after arriving at the U.S. Treasury—in the form of checks made out to today's old folks.

Where, then, are the funds for your retirement going to come from? *From your children.* Under Social Security's current structure, your children will pay for your benefits, just as you are now paying for your parents'. What you "put into the system" to provide for your *own* retirement is not money, but kids.

But Baby boomers have chosen to produce only about half as many children as their parents did. That means that when it comes time to retire, there will be a relatively thin rank of young workers around to make good on the boomers' Social Security checks. Back in 1959 when I was born, there were six workers paying into Social Security for every one retiree drawing out. By the time I retire, there will be less than *two* workers for each dependent.

That fundamental demographic shift has huge implications—for the Social Security program and for American politics. The gap between payroll taxes coming in and various Social Security Administration benefits going out will swell to a mind-boggling $1.8 trillion dollars a year by my retirement age, according to the government's mid-range projections. This will be a millstone dragging down the entire U.S. economy.

And unlike with Social Security "rescue plans" of the past (e.g. the 1983 "Greenspan Commission" reform), the Baby Boomer retirement crisis cannot be finessed. Small tax increases, benefit trimmings, and fiddlings with the retirement age will not paper over the system's crumbling demographic foundation.

Social Security's own actuaries show that it would take drastic measures like cutting all benefits by one-third, or raising Social Security taxes by 50 percent, to keep the current system stumbling along indefinitely. Think about those changes as political propositions—remembering that in the past, even modest suggestions like *delaying* annual benefit increases have set off political firestorms capable of running politicians out of office.

The upshot of our underlying demographic trends is this: Over the next couple of Congresses, Social Security is going to be reformed. Drastically. And in a direction that any observer would characterize as "conservative." At a minimum, the program is going to be sharply trimmed. More likely, it is going to be converted partly or fully into a privatized system of personal retirement savings accounts. That is certainly the most positive option.

You can wish that Social Security would stay just as it is. You can argue over the desirability of one Social Security reform over another. (The differences are vast.) But you cannot deny this: Dramatic change is going to happen. Our current New Deal program cannot, and will not, continue in a low-birth/high-consumption retirement era. The demographics just won't sustain it.

So: Rooseveltian, government-entitlement liberalism is in for some serious downsizing in the decades ahead, regardless of who is running Congress or sitting in the White House. The demographic and economic facts of life are now circling back to take their toll. That's not ideological rhetoric. It's nature's law.

Karl Zinsmeister is editor in chief of The American Enterprise.

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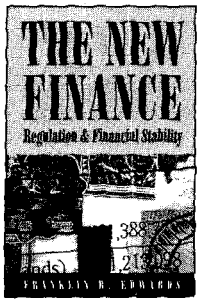

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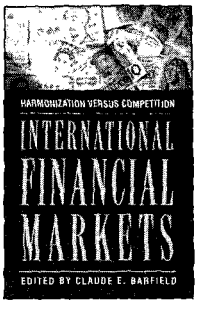

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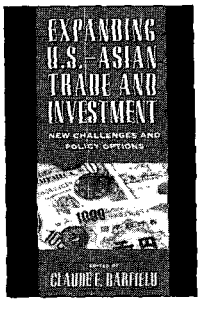

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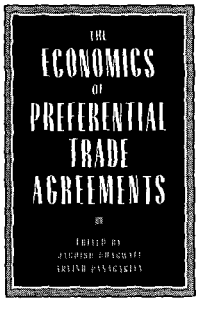

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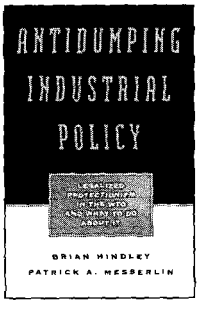

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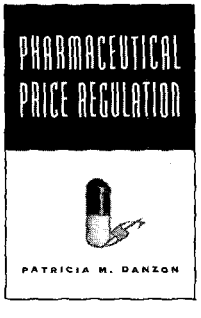

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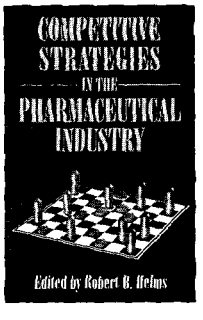

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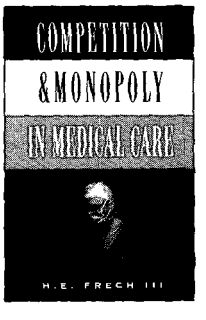

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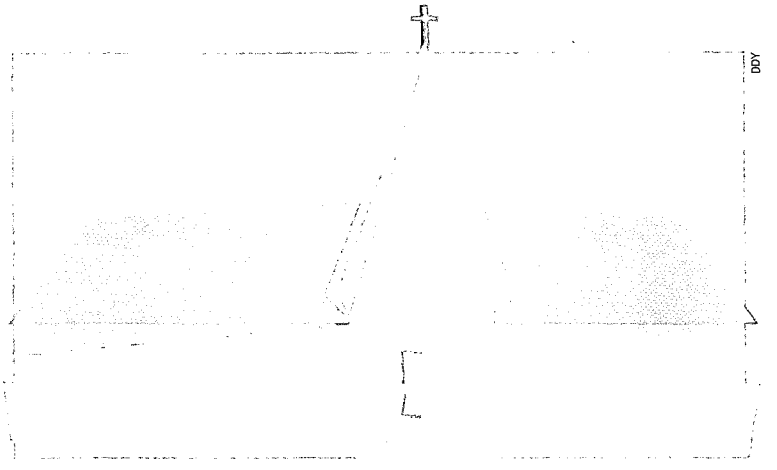
Mainline Churches Drag Their Feet on Welfare Reform



Everyone's enthusiastic these days about increasing the role of private charities—especially religious charities—in helping poor families. Everyone, that is, except some religious groups themselves. Congressional supporters of welfare reform hoped that the new law would invigorate private charitable initiatives. They even included in the bill language explicitly protecting the religious integrity and freedom of faith-based groups that accept governmental funds to expand their ministries (the so-called Ashcroft Charitable Choice provisions). But, tragically, instead of rising to the challenge of increased service opportunities, major segments of the religious community have lashed out against welfare reform.

A joint statement by the National Council of Churches, the Congress of National Black Churches, and the Synagogue Council of America, for example, alleges that welfare reform "violates the tenets of faith—mercy and justice." John Carr of the United States Catholic Conference said approval of the welfare bill marked "a sad day for America." The national headquarters of the Episcopal Church criticized the reform bill as an "inappropriate and brutal instrument." Left-wing evangelical Jim Wallis argued that Clinton's signature on the law "sacrificed hundreds of thousands of poor children" to the President's bid for reelection. David Beckmann of Bread for the World was "appalled" at the legislation and insisted that "virtually all the charities of the religious organizations in the country" oppose the law.

Apparently, Beckmann and company have neglected to consult with numerous people who actually work with the poor. John Perkins, an African-American evangelical who founded the Christian Community Development Association (composed of approximately 250 faith-based poverty-fighting groups), has long been an outspoken critic of the welfare system and an advocate of reform. For years, Rev. Gerald Austin of the Center for Urban Missions in inner-city Birmingham has lamented how the entitlement system induces families to "make peace with poverty." Rev. Tony Evans of The Urban Alternative (which helps inner-city youth in Dallas) tells his mostly black congregation that nobody should be on welfare because of its corrosive effects. (Evans' church operates an elaborate outreach to poor families that provides emergency cash assistance as well as long-term aid in the form of job training and placement pro-

By Amy L. Sherman

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grams.) These and many other frontline workers in face-to-face relationships with poor people believe that serious alterations to the welfare system are necessary, and that the new law takes important steps toward a better model of compassion.

The new legislation is not perfect, but is it really "appalling" and "brutal" to ask able-bodied, childless individuals to work half-time in order to receive food stamps? Is it really "destructive" and "morally reprehensible" for the government to withhold cash payments to drug addicts, or to require single women to help establish the paternity of their children, or to insist that teenage moms stay in school?

These features of the new legislation are just the sorts of measures that many successful faith-based groups working at the grassroots have employed in their own outreach programs. Lawndale Community Church, which has revitalized several blocks in inner-city Chicago, asks able-bodied people to work for a short period—vacuuming, cleaning, setting up rooms—in exchange for emergency cash assistance or groceries. The workers of STEP 13, a faith-based outreach to drug abusers in Denver, *never* give money to addicts or alcoholics; they offer tough love instead. Religious groups working with at-risk teenagers in Washington and Phoenix preach sexual abstinence and reward kids who finish high school. In a deliberately counter-cultural move, many faith-based groups encourage people who are hurting not to view themselves exclusively as victims but as God's children, capable of assuming responsibility for their actions. Poverty scholar Marvin Olasky points out that effective ministries typically offer help that is *personal* (rather than anonymous and bureaucratic), *challenging* (placing demands at the same time it offers aid), and *spiritual* (addressing needs of the soul as well as the body). Whatever its shortcomings, the new welfare reform moves us closer to this kind of compassion.

Obviously, many in the religious community have missed this. John Wells directs a coalition of mainline Protestant churches that works with the county government in Fairfax County, Virginia, to resettle homeless families and mentor AFDC recipients, and he laments that national denominational leaders have for years blocked efforts to reform a public assistance system that is obviously failing the people it was intended to help. Worse, he argues, by mobilizing parishioners in partisan lobbying efforts, national religious leaders have distracted the laity from deepening their faith through humble, hands-on service. "The Spirit is not very alive in many of our churches," Wells admits candidly, "and the preachers know it." Face-to-face relationships with the needy, Wells suggests, could increase the spiritual growth of congregants.

Some of the liberal Protestant opposition to welfare reform stems from a flawed theology that sees humans as basically good, rather than prone to sin. And so many mainline religious groups insist that reforms attempting to address the personal problems that contribute to persistent poverty unfairly "blame the victim."

Amy L. Sherman is director of urban ministry at Trinity Presbyterian Church in Charlottesville, Virginia, and author of Restorers of Streets to Dwell In: Effective Church-Based Ministry Among the Poor *(Crossway Books, forthcoming).*

Was the 1996 Welfare Reform Rash?

Activist groups are now clamoring to have the 1996 welfare reforms watered down. Their often-harsh rhetoric suggests that the changes enacted by the last Congress were the reckless result of mean-spirited politicians acting in haste.

Actually, the 1996 revisions capped three decades of growing national disillusionment with our system of poverty aid. As early as 1965, with the publication of *The Negro Family*, popularly known as the Moynihan Report, alarm bells began ringing over the breakdown of family ties in poor neighborhoods, and the declining importance of joblessness in explaining ghetto pathologies. Recently, AEI resident scholar Douglas J. Besharov assembled for the *Washington Post* a list of bellwether books—most of them written by liberals—that gradually built the case for dramatic welfare reform. Among the 20 works on his list were these:

- *Tally's Corner: A Study of Negro Streetcorner Men*, by Elliott Liebow (1967).
- *Losing Ground: American Social Policy 1950-1980*, by Charles Murray (1984).
- *Beyond Entitlement: The Social Obligations of Citizenship*, by Lawrence M. Mead (1986).
- *The New Consensus on Family and Welfare: A Community of Self-Reliance*, by Michael Novak, *et al.* (1987).
- *StreetWise: Race, Class, and Change in an Urban Community*, by Elijah Anderson (1990).
- *There Are No Children Here: The Story of Two Boys Growing Up in the Other America*, by Alex Kotlowitz (1991).
- *The Tragedy of American Compassion*, by Marvin Olasky (1992).
- *The End of Equality*, by Mickey Kaus (1992).
- *Reviving the American Dream: The Economy, the States, and the Federal Government*, by Alice M. Rivlin (1992).
- *Tyranny of Kindness: Dismantling the Welfare System to End Poverty in America*, by Theresa Funiciello (1993).
- *The Homeless*, by Christopher Jencks (1994).
- *Welfare Realities: From Rhetoric to Reform*, by Mary Jo Bane and David T. Ellwood (1994).
- *Rosa Lee: A Mother and Her Family in Urban America*, by Leon Dash (1996).

These works cumulatively documented the rise of a disastrously dependent underclass in America. Taken together, they show just how broad the intellectual revulsion against our existing welfare edifice had become by the time Congress acted in 1996.

Contrary to claims, the recent welfare reform didn't spring half-baked from Newt Gingrich's briefcase. It had deep roots.

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Money versus Mentoring

Wisdom for helping the poor from one century ago.

Current controversies over whether our deepest poverty problems are primarily financial or behavioral rehearse earlier arguments conducted in nineteenth-century Britain. Back then, a vigorous debate over how to help the poor took place between poverty fighters who believed moral and spiritual aid was needed most, and others who thought that poverty could be eliminated if government subsidies were large enough. Eventually, the advocates of bigger subsidies won out.

Now that it's become clear government income transfers won't end poverty, there is a renewed interest in those long-forgotten Victorians who emphasized teaching the poor how to improve themselves more than simply giving them money. One of these thinkers was British reformer and social worker Octavia Hill (1838-1912). James L. Payne, a Bradley Scholar at the Heritage Foundation, has collected some of Hill's writings into a book called *The Befriending Leader: Social Assistance Without Dependency.* Following are some excerpts, mostly in Hill's own words.

Hill believed in treating the poor as individuals and as friends. She fretted about a future where the poor would be treated impersonally and inhumanely:

"Are these offices [where the poor get government aid] to be places where mere routine business is done by an agent who cannot have much individual care for the applicants? Or is there to be anyone to watch over each applicant with real charity, questioning him gently, thinking for him sympathetically, seeking for him such help as will be really helpful?"

("Practicing Real Charity," 1876)

"When, therefore, a tenant is out of work, instead of reducing his energy by any gifts of money, we simply, whenever the funds at our disposal allow it, employ him in restoring and purifying the houses [that Hill's group leased out at low rents to other poor families].

And what a difference five shillings' worth of work in a bad week will make to a family! The father, instead of idling listlessly at the corner of the street, sets busily and happily to work, prepares the whitewash, mends the plaster, distempers the room; the wife bethinks herself of having a turn-out of musty corners or drawers—untouched, maybe, for months...and thus a sense of decency, the hope of beginning afresh and doing better, comes like new life into the house."

("A Landlady of A Different Kind," 1871)

"I believe our irregular alms to the occupant of the miserable room, to the shoeless flower-seller, are tending to keep a whole class on the very brink of pauperism who might be taught self-control and foresight if we would let them learn it. I believe too that our blanket charities, soup-kitchens, free dormitories, old endowed charities, distributing inadequate doles, have a great tendency to keep down the rate of wages of the very lowest class...partly because they tempt large numbers who might otherwise raise themselves to hang on to low ceilings.... The street sellers and low class desultory workers usually remain what they are by choice; a little self-control would raise them from the ranks of those who are really wanted, and [and lead them to] where they are under better influences."

("Volunteer Visitors Among the Poor," 1876)

"I may mention on a few laws which become clearer and clearer to me as I work:

It is best strictly to enforce fulfillment of all such duties as payment of rent.

It is far better to give work than either money or goods.

It is most helpful of all to strengthen by sympathy and counsel the energetic effort which shall bear fruit in time to come.

It is essential to remember that each man has his own view of his life, and must be free to fulfill it; that in many ways he is a far better judge of it than we, as he has lived through and felt what we have only seen. Our work is rather to bring him to the point of considering, and to the spirit of judging rightly, than to consider or judge for him.

The poor of London (as of all large towns) need the development of every power which can open to them noble sources of joy."

("Ordering a Spot on God's Earth," 1869)

"It is wholly necessary in some cases not to help [the poor]. Where a man persistently refuses to exert himself, eternal help is worse than useless. By withholding gifts we say to him in action more mournful than words: 'You will not do better. I was ready—I will be ready whenever you come to yourself; but until then, you must pursue your own course.'"

("Ordering a Spot on God's Earth")

—MMW

Instead of trying to turn hearts and minds, these groups imitate the government welfare system's emphasis on delivering services and fulfilling material needs.

Other religious charities disdain welfare reform because they were quite comfortable with the status quo—in which they enjoyed enormous governmental subsidies. Sixty-five percent of Catholic Charities' budget, for example, comes from the government. The social services arm of the Evangelical Lutheran Church in America received 54 percent of its budget from the government in 1995. According to researcher Steven Monsma of Pepperdine University, more than four out of ten religious child-service agencies receive at least 60 percent of their budget from public funds.

Under our pre-1996 welfare system, too many large-scale religious charities had reduced themselves to delivery systems for government welfare. State agencies designed packages of benefits and services and subcontracted with "private" charities to deliver their package. "Although charities are supposed to offer an alternative to government

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Religious charities need to recognize that our old welfare system is now dead, and that a fresh era has opened.

provision of social welfare, they have become so dependent upon and aligned with government that they no longer represent a way out of the welfare state," warns Kimberly Dennis, former executive director of the Philanthropy Roundtable.

Whatever they think of the recent welfare reform, religious charities need to recognize that the old system is now dead and a fresh era in social welfare has opened. Instead of resisting changes, the charities should redouble their efforts among the poor and think creatively about how to adapt to the new regime. The mainline groups could learn a few things from relatively new players who launched faith-based fights against poverty some years ago, when state welfare reforms similar to the new federal law first began to be enacted.

In Michigan, for example, some churches are redirecting their benevolence away from arms-length provision of commodities like emergency financial assistance, free groceries, and used clothing. Instead they are setting up "compassion circles" of lay persons who can provide practical help (e.g., car repairs, help finding jobs) and emotional support. The welfare recipients involved in this "New Focus" program meet weekly with their own personal budget counselor and attend regular classes teaching job and life skills.

In Mississippi, churches are responding to Governor Kirk Fordice's plea for religious groups to "adopt" families on welfare and help them find jobs. Welfare recipients can participate in the "Faith and Families" program and continue to receive cash assistance from the state during their transition from welfare to work. Church members provide adoptees with personal support, informal counseling, and help in securing childcare and transportation. (For an extended report on Mississippi's "Faith and Families" initiative, see my essay in the July/August 1996 issue of *The American Enterprise*.)

In Virginia, the Department of Human Services has invited churches in one county to "adopt" families on welfare and provide the same sort of help that "Faith and Families" churches provide in Mississippi. In two other counties, the United Way is spearheading an initiative to train mentors from churches and voluntary organizations to work with welfare recipients who must find jobs in order to continue receiving benefits. In Charlottesville, my church has established a family center in the midst of a low-income community. We are surveying local employers to learn what skills they need in workers so we can teach those skills to persons trying to shift from welfare to work. In Richmond, social service officials and pastors of churches in the city's impoverished East End have formed a partnership called the Spiritual Family Development Program. It links families of juvenile offenders with churches that provide them with family counseling, mentoring, religious education, and personal support.

These initiatives provide better models for public-private collaboration in several ways. First, they emphasize long-term assistance that helps individuals develop and change. Needy individuals are matched with new friends who provide emotional support, advice, encouragement, discipline, practical help with daycare and transportation, and budget counseling—in short, with the resources needed to achieve self-sufficiency. This is vastly better than past public-private collaborations that merely provided short-term relief (for example, via governmental payments to private charities to provide overnight shelter for the homeless).

Second, the partnerships mentioned above allow the congregations delivering the services to help design them. Richmond's Spiritual Family Development Program, for instance, resulted from brainstorming between local pastors and an administrator looking for an alternative to the state's juvenile delinquent program. Government welfare officials must eschew the snobbery that believes only trained professionals are equipped to help poor people. The wisdom and practical experience of grassroots religious leaders can be powerfully helpful to the poor.

Third, these partnerships emphasize "connected autonomy." In both Mississippi and Virginia, churches help the poor without assuming full responsibility for their lives. Highly dysfunctional or uncooperative individuals must find help elsewhere. Churches pursue those things that they can do best, and rely on other government-sponsored programs for needs that the church cannot meet. They do not accept governmental interference that would squelch the religious character of their outreach.

In both Mississippi's "Faith and Families" program and Virginia's "Spiritual Family Development" program, churches work with families who are simultaneously enrolled in state-mandated training. Thus, churches provide one key piece of a larger package of support for welfare families. Participating churches enjoy considerable latitude in designing their own outreach strategies, yet their clients are not cut adrift from the social services system.

For the church-based programs to be most effective, government agencies sometimes must use their sanctioning tools (reducing or eliminating benefits) to reinforce the client's participation. In Mississippi, for instance, state officials consider a client's participation in "Faith and Families" as fulfilling the state's job-training requirements. Clients that repeatedly fail to meet with church members or otherwise shirk their responsibilities can be disciplined by the state for noncompliance with the JOBS program.

We may not have heard the last word on welfare reform. President Clinton has pledged, as one of the first priorities of his second term, to "fix" the 1996 law. In most cases, this will mean trying to keep as much of the old system in place as possible.

The religious establishment that has been so unhelpful on welfare reform up to this point should avoid putting its effort into the dead-end of trying to restore the thoroughly discredited welfare programs of the past. In our society where hedonism and selfish individualism are ubiquitous, religious leaders should stop badgering the government to do more and instead exert themselves in mobilizing their own congregations to sacrificial service on behalf of the have-nots.

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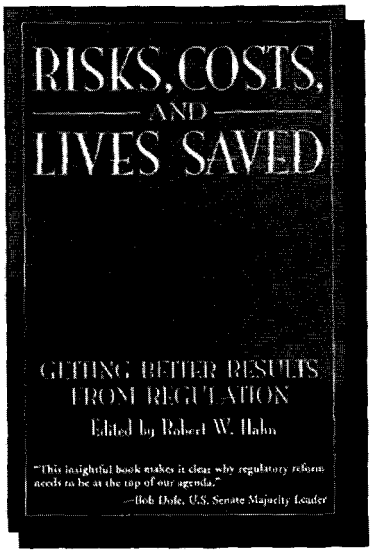
Getting Better Results from Regulation

Edited by ROBERT W. HAHN,
American Enterprise Institute



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We Did It for Welfare...

Now Let's Put Time Limits on Public Housing

By Howard Husock

The recently enacted five-year time limit on cash public assistance closes one debate but suggests another. If welfare payments are to be limited, why not enact time limits on subsidized housing as well?

Such a change, already suggested in housing legislation before Congress, seems logical because of the significant overlap between those receiving welfare payments and those receiving housing assistance. It would allow housing subsidies to be directed to those in most immediate need rather than simply going to persons already in the system. A housing assistance time limit would also reconnect people of modest income with the disciplines and opportunities of the private housing market, which could help build better household values and a healthier social fabric in poor neighborhoods.

Let's be clear about the extent of overlap between those receiving AFDC and those living in "assisted" housing. The most recent good survey of subsidized tenants (published in 1992) shows that only 9 percent of public housing tenants are married couples. Fifty-five percent are single parents—a percentage that would be far higher were it not for the fact that 29 percent of tenants are low-income elderly persons. The latter, however, are heavily concentrated in their own, elderly-only apartment complexes. In large, big-city "family" projects, a very high percentage of tenants are usually single-parent welfare families.

Disturbingly, 48 percent of all households come to public housing each year not to escape "substandard" conditions but rather to establish their own new households. Once in, they tend to stay. More than 25 percent of project families have lived in their unit for more than 10 years, 47 percent more than five. These figures ought to concern us for what they suggest about long-term dependency on government, and also for what they imply about the equity of government benefits—since there are far more families waiting for housing assistance than currently get it.

In addition to the 1.3 million tenants living in publicly-owned housing, there are another 2.7 million tenants who either get housing vouchers from the government to help them make rent payments to private owners, or who live in privately-owned buildings where the landlord gets direct subsidies to house them. The Congressional Budget Office found in 1994 that the average income of these subsidized tenants is actually 62 percent higher than that of other eligible households who are unassisted. The CBO suggests that "the incomes of subsidized households may have increased after they started receiving subsidies." Given this evidence that tenants who receive housing assistance are subsequently able to advance on their own, it is entirely reasonable to expect that beneficiaries should surrender their subsidy within a limited period so that it can be passed along, temporarily, to someone else who is worse off.

Time limits would have other beneficial effects on the public housing projects that have become the locus of our country's most concentrated social problems. For one thing, a time limit could reconcile our public housing policy with the way in which private housing markets are organized.

Market-rate housing is organized by an informal but powerful system which might be called the "housing ladder." The "ladder" works like this: Neighborhoods are not random collections of structures and people. They are roughly organized on the basis of the income and education levels of residents. This does not mean, of course, that everyone in a given neighborhood or census tract has the same income, only that income levels are grouped within a fairly narrow range. But the housing ladder is also a social system in which families strive to improve their economic position—to climb the ladder to a higher rung, or, at the least, to maintain their home (and hope their neighbors do the same) so they do not fall. There is no city in the nation (perhaps the world) in which neighborhoods are not stratified along income lines.

This social system matters a great deal at the lower rungs of the housing ladder. In the pre-subsidized housing era, poorer neighborhoods, despite being derided as slums, were places where many small property owners occupied their own inexpensive homes and rented out apartments or rooms on the side. Even tenants rented rooms to boarders. Owners had an incentive to maintain their property (they often lived on the premises or nearby); tenants often assisted in repairs and maintenance in order to keep their rents down. Property owners hoped to realize the value of their investment and move up the ladder to a better neighborhood; tenants hoped to become property owners.

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Public housing and "assisted" housing have turned this chain of social progress on its head. Newly-built public housing projects draw tenants away from private landlords by offering amenities which tenants could not otherwise afford. Surrounding neighborhoods decline, while public housing lacks the self-sustaining qualities of the private market because no one has an incentive to maintain it. Even when subsidized housing is privately owned, there have been problems: Initially, owners were told they could place their units built with subsidies on the open market after a fixed period of time. In recent years, Congress has been reluctant to allow this, and has instead allocated millions of dollars to private owners to induce them to keep their units as "affordable" public shelters. Similar bailouts are likely for a new generation of subsidized apartment buildings now being run by non-profit community development corporations—who will not be able to maintain both property standards and "affordability" absent subsidies.

Giving out vouchers allows the government to bypass the hard costs of building and maintaining apartment buildings publicly. But these vouchers can do great damage to the social fabric. They generally catapult people to a neighborhood better than what they could otherwise afford, thus sending a message at odds with the prevailing (if seldom stated) view that one should work one's way up the ladder. Even in poor neighborhoods, vouchers break the umbilical relationship between tenant and landlord. Property owners need not worry as much about the quality of their tenants because the rent will be paid by Washington (via the local housing authority). Conversely, tenants—who pay only 30 percent of the full rent—lack leverage in their dealings with landlords.

Given the arguments I've presented here, and our miserable history of government poverty programs, the best long-term solution to our public housing disaster may be to sell our projects off so that the residents can find their place in the private housing market like other Americans. Politically, however, this is not something likely to happen right away. A time limit on tenancy, though, may be another way to bring some of the social discipline of the housing market to public housing rentals.

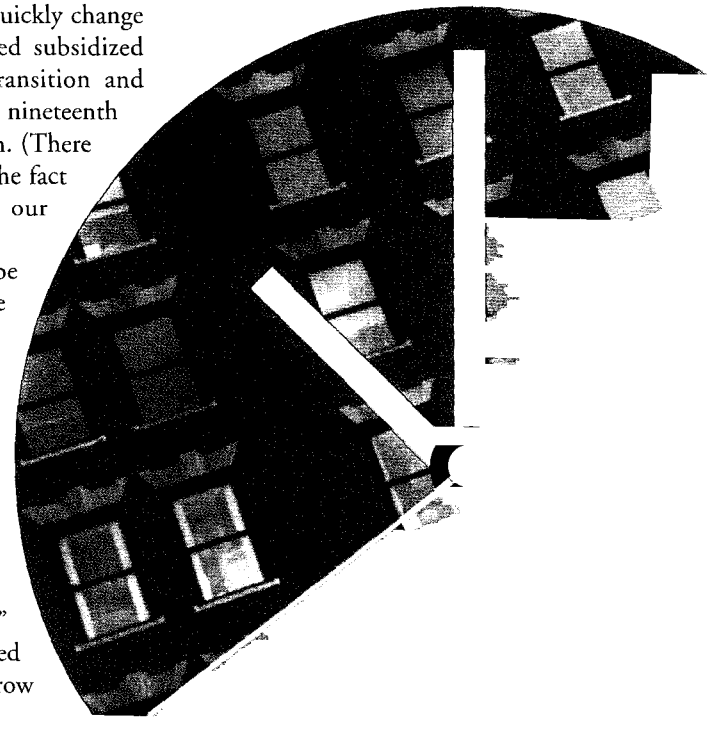
Can a small change like time limits make much difference? I believe so. For such a reform would nicely reinforce the message soon to be sent by time limits on cash public assistance. New York Republican Congressman Rick Lazio's recently proposed Housing Act of 1996 called for having all new public housing tenants sign a "self-sufficiency" contract to include a specific date at which they will "graduate" from public housing. A requirement like this would give tenants a powerful incentive to both seek work and save money for the day when they will have to enter the private market. In the meantime, our current public housing complexes could be made more humane by using funds currently spent on the voucher program to make physical improvements. The management of these projects could be vastly improved by replacing government housing authority employees with private real estate management firms.

Between 10 and 15 percent of all public housing units currently turn over every year. This provides an opening for transforming today's projects into temporary waystations and the way to independence. Simply imposing a two-year limit on all new tenancies will quickly change public and privately-owned subsidized housing into places of transition and character formation, in the nineteenth century charitable tradition. (There is little point in avoiding the fact that housing projects are our contemporary poorhouses.)

The key detail to be worked out involves the fate of tenants after their time in public housing is up. It is crucial to encourage private builders and owners in poor neighborhoods to increase the supply of low-cost housing. These can be boarding houses run by an elderly homeowner; single-room occupancy "hotels" with small rooms and shared baths; simple attached row houses built on tax-foreclosed vacant land; minimally renovated older buildings—where costs are kept down in part by limiting the enforcement of government building and housing codes to items that concern safety, not amenities. This kind of expanded low-cost private housing market will encourage support-relationships and self-policing in neighborhoods as public ownership has not.

It may be true that not every household will be served by such a private low-cost market. But we do not want all households to be served. Criminal and anti-social households have no "right" to a spot in the community. We may also want to insist, for instance, that public housing units be open only to married couples. There may be other individuals whose behavioral problems are so severe that compassion dictates they live in supervised or group-housing settings. There will be difficulties in adjusting to a system of time limits on public housing. But we must bear in mind that millions of Americans are currently suffering in hellholes that we underwrite in a misguided attempt to "help."

Howard Husock is a housing expert at the Kennedy School of Government at Harvard University, and author of Repairing the Ladder: Toward a New Housing Policy Paradigm.



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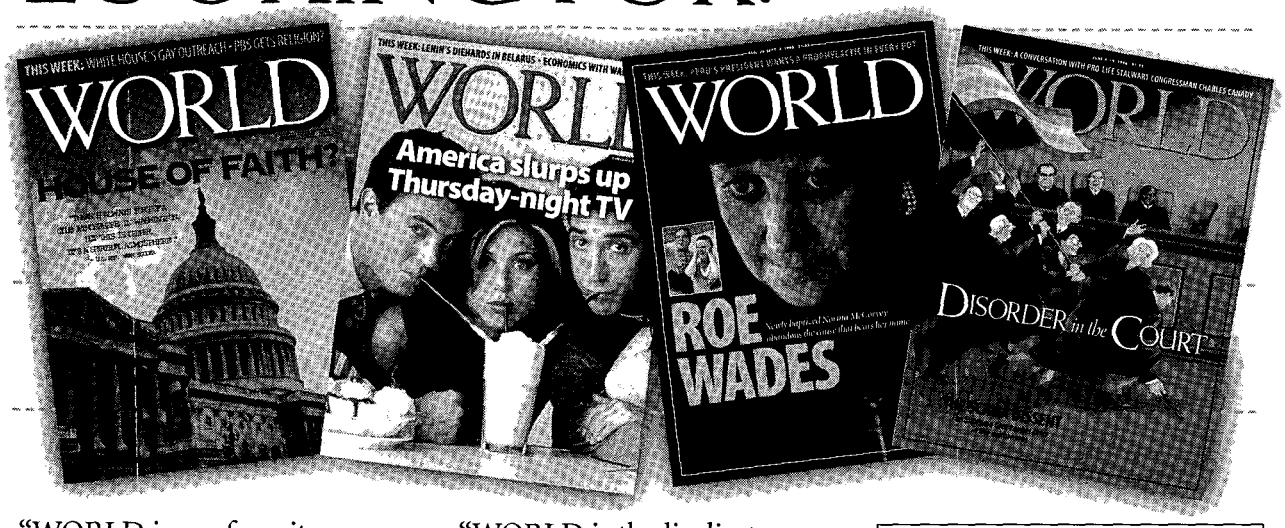

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Transcript

Words worth repeating

THE DECLINE OF THE U.S. UNION MOVEMENT

By Michael Barone

For any American coming of age in the 1940s, '50s, or '60s, it was taken for granted that organized labor was a permanently influential part of society. Just as you had business corporations and government agencies, charitable institutions and churches, so you had labor unions. To be sure, unions as major national institutions were relatively new (products of the 1930s). But they quickly sunk deep roots in American soil. In the mid-1950s, more than one out of every three private-sector workers were union members.

Some industries like textiles were mostly union-free. And organizers had made little headway in the South or in the sparsely populated states of the Great Plains and Rocky Mountains. But it was assumed that, in time, these "backward" areas would follow the pattern of the Northeastern and Midwestern states, and unionization would become the norm everywhere.

Instead, the union movement has come close to disappearing. It isn't the only big institution that has run into trouble over the past 30 years. Big government is now disdained more than respected. Big business no longer has the command over markets John Kenneth Galbraith thought it had—each of the Big Three auto companies has come close to bankruptcy in recent years, while behemoths like IBM have been shunted aside by new startups like Microsoft. But big labor has declined the most. By the mid-1990s, not much more than 10 percent of private-sector workers were union members, and about half of all union members were government employees—in an antigovernment era. Statistically, organized labor is no larger a part of American society than it was a century ago, and spiritually it is arguably worse off, with far less reason to believe it is the wave of the future.

Observers like Max Green, author of the new book *Epitaph for American Labor,* believe that the decline of unions is a good thing, for two reasons. First, because the labor movement has abandoned the pro-American ideals of AFL-founder Samuel Gompers; and, even more importantly, because Gompers' enterprise itself was fundamentally flawed, based on a misunderstanding of economics.

Gompers oriented the American labor movement against socialism at home (he thought politicians would be no more pro-worker than capitalists) and communism abroad (he saw that free institutions could not survive under totalitarianism). The recent election of democratic socialist John Sweeney as president of the AFL-CIO marks labor's abandonment of the Gompers view. Unions now support an ever-bigger public sector at home and disengagement from the world beyond.

The one area of continuity between the old and new American labor regimes is a distaste for economic competition and free markets. Gompers welcomed the formation of trusts and relished bargaining with monopolistic employers. He realized they would not face market pressures to hold down wages. Sweeney prefers to deal with the ultimate in monopolistic employers, the government, which can send its "customers" to jail if they don't hand over their money.

The problem with labor's taste for monopolies is that trusts do not prove eternal. U.S. Steel's market share started plummeting as soon as it was founded, and big government can't forever survive the determination of voters to make it smaller. Sooner or later, unless there is a war or an economic collapse like that of the 1930s, markets rule.

What remains to be said in organized labor's behalf is that unions, like the big city political machines they replaced in the Democratic Party, served a constructive function in a democratic society. At their best, they were mediating institutions, cushioning the effects of the market on individuals and channeling the potential for unrest among disaffected people into peaceful activities. Of course there is implied violence in the unions' classic tactics: Picket lines, strikes, boycotts are all intended to intimidate with threats of physical force, only partly modulated by legal rules forbidding violent acts. But labor unions also provided services and fellowship, discipline and guidance for urban masses. They fostered good habits and raised expectations. "The labor movement," Green quotes Walter Reuther as boasting, "is developing a whole new middle class."

In retrospect, the huge size of the American labor movement from the 1930s to the 1970s, and the vast influence it had over the economy and even U.S. foreign policy were as much a happy accident of history as an economic necessity. The kind of union movement we have today—dealing primarily with monopoly employers, which in practice increasingly means only governments—grows up more naturally. Over the past 30 years, market economics has seen a great resurgence, in the academy and in the political arena. Those who believe organized labor can increase its influence need to explain either how market economics will become less important in the future, or how unions will learn to embrace markets.

Michael Barone is a frequent contributor to The American Enterprise. *This is adapted from the "Foreword" he wrote to Max Green's* Epitaph for American Labor *(AEI Press, 1996).*

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In Real Life

THE DAILY WORK OF AMERICANS

STILL DEPRESSED AFTER ALL THESE YEARS

By John Phipps

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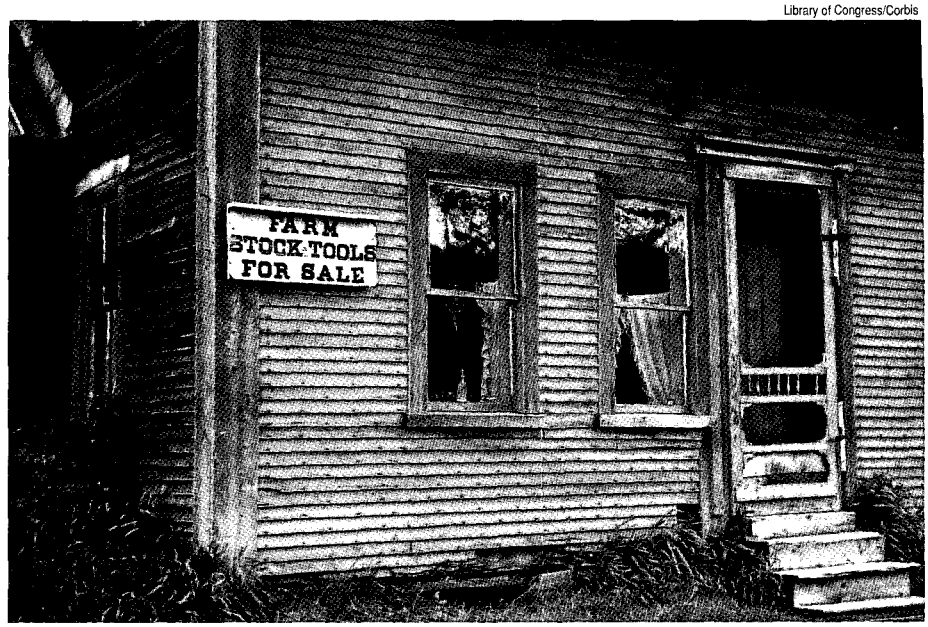

A sign advertising farm tools for sale near Troy, Vermont, August 1936.

For many Americans, the Great Depression lasted far beyond its official end point in 1939. Despite subsequent competition from little events like World War II, it continued to be the major formative experience for millions who grew up in its midst. Even Baby Boomers like me can quote glibly from Depression-era holy writ ("use it up/wear it out/make do/or do without"), because we grew up listening to ritualistic repetition of The Lessons Learned.

In our household these Lessons boiled down to two axioms. First: "We were poor, but we were happy." This defiant statement was always followed by one or more examples of things my parents didn't have and got along just fine without. This caused me to secretly wish as a child that there could be a small period of discreet poverty for me to enjoy as well. Just some warm family evenings together with... well, nothing. Like the good old days. As my sense of logic developed, I began to wonder why my parents were working so hard to acquire all those things that they knew could be gotten along without just fine. Didn't they want us to be happy? Or had they discovered a way to escape being poor and still be happy? It was very confusing.

Lesson Two concerned monetary policy: "If you had a dollar, you could do anything!" This maxim took longer to grasp, as I personally have never known a period when a dollar was so difficult to obtain. In fact, most of my life people have been trying to loan me money, or send me credit cards. But for my father, the frustration of struggling to convert labor, possessions, ideas, *anything* into cash during a contraction in the money supply was an experience not to be forgotten.

So like the French on the Maginot Line, my parents spent the rest of their lives preparing to fight the previous economic war. And Mom and Dad were not alone in this. I know many midwesterners from the Depression generation who are not only well-prepared for the next collapse, but gingerly hopeful of a chance to put their advantage into action. Then we'll see, by George.

Thanks to the misguided Depression policy of cash-starvation, a hunger for liquidity was born that has lasted a lifetime. Even modest wage-earners and businessmen have squirreled away their money in forms as close as possible to cash. No other form of wealth gives the Depression baby such a feeling of security.

Likewise, the concept of borrowing was so darkened by moral overtones during the Depression as to require absolute secrecy when such desperate measures were deemed necessary. It's only lately that I've questioned how *receiving* interest could be such a righteous act, when *paying* it is interpreted as a sign of ignoble character. Aren't the lenders selling financial firewater to the borrowers, Mom and Dad?

THANKS TO THE MISGUIDED DEPRESSION POLICY OF CASH-STARVATION, A HUNGER FOR LIQUIDITY WAS BORN THAT HAS LASTED A LIFETIME.

Enter their silly children, such as me. Although not for lack of trying, the effort to transplant lessons of the Great Depression into us Boomers has not succeeded. I understood my parents' despair on this point when I once tried to impress upon my sons what the Vietnam War was like, only to be met by blank, uncomprehend-

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Farm family. St. Charles County, Missouri, 1939.

ing faces. Perhaps the facts can be related, but the emotions will never be shared.

At any rate, my parents have clung stubbornly to their economic credo even in the face of debilitating financial storms, such as inflation. For them, the idea that money could actually lose its value was like being sucker-punched by a pastor.

The "hard times" experienced by the Depression generation produced hard rules. I suppose the economic relativism that is evident in my own life can likewise be traced to my era. It could be that my parents' ideals will have the more lasting influence, however. My sons are devoted to their grandparents and give a weight to their words that far exceeds my teachings. But then, after my generation is through, our children may need such guidance.

John Phipps is a businessman in rural Illinois.

A BAD DAY

By Raymond Wisher

Ever want to know what drives cops crazy? Let me give you an example. This is a typical bad day.

I came to work knowing my partner and I were going to be buried under a mountain of paperwork from the felonies two druggies have recently been committing in our city. So there I sat trying to catch up. I'm reading the national teletype bulletins and see a notice from a department in California. Apparently they caught a man who was offering prostitutes a thousand dollars if they could provide him with a three-year-old girl to have sex with. After being caught he admitted to doing this all over the country, sometimes with the mothers participating.

Three years old. Then I flip the page and find that another department caught a man who was having sexual relations with boys of around nine or ten. He would befriend them with toys and things, then get them to have sex with him. He openly admitted to being part of NAMBLA (the North American Man-Boy Love Association). Literature was found in his apartment along with newspaper photos of young boys. He admitted to tracking the boys down and finding out where they lived after seeing their pictures. So if your son made the paper for winning a school award or doing well in sports he could be the next victim of this predator.

I FIGURE IT CAN'T GET WORSE WHEN I HEAR THAT TWO BROTHERS, WHOM I KNOW WELL FROM THE HAVOC THEY WREAKED ON MY CITY FOR YEARS BEFORE FINALLY GOING TO JAIL, WERE OUT CELEBRATING THE OLDER ONE'S RELEASE.

I wince a little and turn to the next teletype. I notice a man has been arrested for kidnapping a young woman and then forcing her at knife point to have oral, anal, and vaginal sex in a hotel room. Then he got a cash advance on her credit card and made her use an ATM to get cash. She finally managed to get away and he was caught.

I wondered how many times he killed them before they could get away. I put down the teletypes and pick up a training bulletin. I find out that our state legislators have just passed a law downgrading the crime of burglary of a residence, making it only a felony of the third degree. That puts it on the same level as breaking into your car. So now the bad guy can go into your house or your car with no difference in deterrence. Worse, I discover that with the new sentencing scoring systems used in Florida, it will take more convictions to get someone in jail.

I figure it can't get worse when I hear a radio call of a disturbance at a bar. It turns out that two brothers, whom I know well from the havoc they wreaked on my city for years before finally going to jail, were out celebrating the older one's release from prison this morning and decided to bounce a couple of cue sticks off a patron's head. The convict just got out this day and by evening he was pounding in someone's skull. Probably doing a fine job of it too, since prison authorities allow convicts to lift weights all day and night, instead of forcing them to grow their own food, go to school, or learn a trade. Forcing them to do any of those things would violate their rights, you know.

These two are typical sociopaths. They've committed hundreds of felonies—car thefts, burglaries, aggravated batteries, drug sales—since they were twelve. We finally got them sentences of four and four-and-a-half years a piece, but they only served about nine months each before getting out. (In Florida, the average sentence served is about one-fifth the term sentenced by the judge.) The younger brother had been released a couple of months earlier and within weeks had been caught breaking into a house. He was released again into society while the probation people decided whether or not to declare him in violation. These two brothers hate me so much they actually planned at one point to firebomb my house with my wife inside. Now they are back.

More people should know what is out there, just beyond their vision, just around the corner. It stands in the shadows, beyond that comforting ring of light, waiting for the right time.

Raymond Wisher is a Florida police detective.

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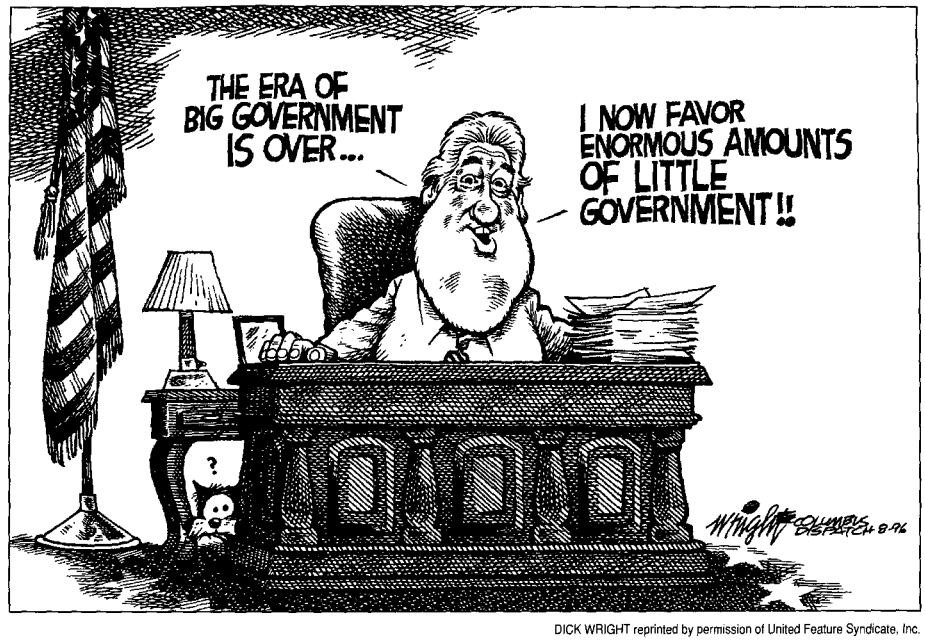
Beware Clinton Administration Regulators in a Second Term

By Daniel E. Troy

According to conventional wisdom, the re-election of a Republican Congress will stymie President Clinton's natural inclination to expand the size and scope of the regulatory state. Recent actions of Clinton administration regulators, however, suggest that even with a Republican Congress, the president may succeed at expanding government control over the economy. Witness two actions taken in August, when the Federal Communications Commission imperiously claimed control over local phone service, supplanting the traditional authority of the states, while the Food and Drug Administration asserted its right to direct national advertising of tobacco, ostensibly to protect youth. Even limited to specific industries as they were, these two actions were so sweeping in their claims that business representatives quickly described each of them as "the largest federal power grab in history."

Both of these decrees not only limit private freedoms and state prerogatives, but also fly in the face of clear Congressional prohibitions against bureaucratic micromanagement by the FCC and FDA. They thus reflect a contempt for established constitutional procedures. During the second Clinton term, we can expect more such attempts to use federal regulatory agencies to achieve outcomes that the administration would not be able to achieve through legislation.



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The Clinton administration and its FCC vigorously opposed passage of the Telecommunications Act of 1996, which Congress enacted last February to encourage more phone competition. The FCC particularly objected to Congress's attempt to limit its role in regulating local phone service by having state public utility commission arbitrate disputes between negotiating parties and by having federal district courts, instead of the FCC, review the decisions of the state commissions. Congress also explicitly spelled out the FCC's few areas of responsibility over local phone service.

Having lost in Congress, the FCC then simply construed the act as giving it the very authority that Congress had withheld. It did so by twisting a phrase instructing the Commission to promulgate, within six months, any rules necessary for the FCC to fulfill its few specifically assigned functions under the act. The FCC claims that this deadline granted it the authority to take any action to micromanage the process of introducing local phone competition. And, in a 668-page order containing 3,276 footnotes, the FCC has just created a set of Byzantine rules that preordain outcomes Congress wanted private parties to negotiate out.

The FDA's new tobacco rules are even more disrespectful of Congress's specific intentions. More than 20 times, Congress has rejected bills that would have given the FDA authority over tobacco, an authority the FDA has itself repeatedly denied it had on the grounds that tobacco is neither a "food," a "drug," nor a "medical device." Moreover, Congress has created a comprehensive program for dealing with tobacco issues, parceling responsibilities amongst the Bureau of Alcohol, Tobacco, and Firearms, the Federal Trade Commission, and the states.

But, in November of 1994, shortly after a Republican majority was elected to Congress for the first time in decades, FDA Commissioner David Kessler announced he would commence a rulemaking to examine whether the FDA inherently possessed authority to regulate tobacco—authority he knew Congress would not grant. Lo and behold, last August, in an edict that consumes more than 923 pages of the *Federal Register*, the FDA announced that it did indeed have broad powers to regulate the manufacture, sale, marketing,

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and advertising of tobacco products, in order to guard against underage smoking.

Given Congress's fatigue on the issue of telecommunications reform and the difficulty of passing any legislation addressing tobacco without dealing with a host of related issues, Congress is extremely unlikely to reverse or in any way constrain these decisions. The sole possible protection against these regulatory power grabs rests in the federal courts.

The Clinton FCC and FDA, however, appear quite willing to take their chances in the courts. They seem to believe that an action can effectively be insulated from court scrutiny if they make the justifications long and complex enough, and if the lawyers working on the matter are good enough. Both the FDA and the FCC have aggressively hired top attorneys to fight off any attempt to limit their new self-declared powers. These government attorneys have produced thousands of pages to defend the agency actions against legal challenge.

Fortunately, this strategy is not foolproof. The Eighth Circuit Court of Appeals has already indicated a strong belief that the FCC's action was unlawful. On October 15 that court took the unusual step of suspending the FCC's rules from taking effect until the matter can be fully adjudicated. The court stated that the challengers to the FCC's actions have a good possibility of invalidating the commission's rules as inconsistent with the Telecommunications Act. The actions of the FDA have also been challenged in a federal district court, which is scheduled to hear arguments in February.

But even if the courts succeed in stopping elements of these two high-profile power-grabs, the courts can scarcely be counted on to stop all—or even most—unlawful agency actions. For one thing, few litigants have the money to go after the federal government. Moreover, the courts will increasingly be staffed with Clinton appointees as the president's second term progresses.

Almost inevitably, when federal regulators make power grabs, they end up robbing authority and independence from the states. Take the FDA tobacco crusade. In 1992, Congress passed legislation recognizing the primary role the states play in regulating the sale of tobacco to individuals under 18. That law withholds federal anti-drug-abuse funding from states that fail to enforce laws prohibiting tobacco product sales to minors. As a result, 36 states have new laws restricting youth access to tobacco. But without even waiting to let these statutes take effect, the FDA in August released its massive new federal program of tobacco prohibition.

WITHOUT THE ABILITY TO PUSH HIS OBJECTIVES THROUGH THE REPUBLICAN CONGRESS, BILL CLINTON IS LIKELY TO PURSUE MANY OF HIS GOALS THROUGH THE REGULATORY PROCESS INSTEAD.

In addition to poaching on the legitimate authority of individual states, these Clinton administration actions infringe arrogantly on constitutional rights. The most obvious arrogance is the FDA's detailed new controls on tobacco advertising, which include a bar on the use of *any* images or colors in most ads. This callously disregards repeated Supreme Court findings that the advertising of lawful products and services is entitled to constitutional protection. Because tobacco products could be used unlawfully in the hands of someone under 18, the FDA contends, they are not entitled to First Amendment protection at all. The Supreme Court has often rejected exactly this argument, which would mean the First Amendment also does not protect any advertising of products like cars, fireworks, or knives.

Without the ability to push his objectives through the Republican Congress, Bill Clinton is likely to pursue many of his goals through the regulatory process instead. Other broad assertions of new federal administrative authority are already in the works—for example, the Occupational Safety and Health Administration's proposed "ergonomics" rulemaking that would extend federal authority to every chair and typewriter at every workplace in America. In a second Clinton term, aggressive congressional oversight and close scrutiny by the courts will be needed to prevent a creeping overload of arrogant new federal regulation from invading states' rights and damping constitutional freedoms.

Daniel E. Troy, an associate scholar at the American Enterprise Institute, has worked on legal challenges to both the FCC and FDA rulings as a partner at Wiley, Rein & Fielding.

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the Labor Union Economist

The Revolt Against the Davis-Bacon Act

By Clint Bolick

When the Clinton administration cast about for experts to help defend its favorite labor law, the Davis-Bacon Act, against a legal challenge, it called upon Norman Hill, who was happy to extol the law's virtues.

Hill acknowledged that Davis-Bacon requires that "prevailing" (meaning union) wages be paid on all federal construction contracts. In practice, this locks non-union builders out of government jobs and unnecessarily raises costs to taxpayers. As the president of a liberal lobbying group, Hill didn't find any of that troubling.

Of course, he wouldn't want Davis-Bacon requirements extended to *his* organization, which is non-union. "Given our own budget limitations," Hill testified without a trace of irony, "we ourselves cannot afford to pay the same level that in most cases a union can."

So instead, like thousands of other small firms around the country, Hill hires young or inexperienced workers, pays them less, and gives them the skills that allow them to go on to higher-paying jobs in the future. If a contractor tried to do that under Davis-Bacon, he could wind up owing huge sums in back pay or being forbidden to compete for federal contracts for three years.

That's why four black contractors from the Seattle area recently joined forces with three public housing groups in a lawsuit, *Brazier Construction Co.* v. *Reich,* in an effort to finally lay the 65-year-old law to rest. They and many other black entrepreneurs and activists believe the Davis-Bacon Act rigs the rules against small construction firms and low-skilled workers, among whom blacks are disproportionately represented.

Under Davis-Bacon, all contractors on federal construction projects of $2,000 or more must pay "prevailing wages." Theoretically, unions dictate wages only where they have 50 percent of the local market, but in practice this share can be 25 percent or less. Not only does the law require super-minimum wages (with hourly rates such as $40 for carpenters and $22 for general laborers), it also forces companies to adopt union job classifications and work practices—literally forcing non-union firms to become *inefficient* in order to do government work.

REPEALING DAVIS-BACON WOULD SAVE $3 BILLION IN UNNECESSARY COSTS OVER FIVE YEARS.

All this costs taxpayers lots of money. The Congressional Budget Office reported in 1994 that repealing Davis-Bacon would save $3 billion in unnecessary costs over five years.

Worse, the law destroys job opportunities for tens of thousands of low-skilled workers, for whom the construction industry traditionally has provided plentiful entry-level jobs and informal training opportunities. The standard practice of hiring low-skilled workers as "helpers"—which even the government's union contractor witnesses use on non-Davis-Bacon jobs—is prohibited. Under Davis-Bacon, entry-level workers can receive training and be paid less than skilled workers only if they are part of an approved apprenticeship program, and even then their numbers are limited.

That means unskilled inner-city workers are rarely hired. True, a federal law requires contractors who perform construction work in public housing projects to provide employment and training to as many residents as possible. But Davis-Bacon thwarts that. For example, in the late 1980s HUD awarded a $23 million contract for renovations at the Kenilworth/Parkside development in Washington, D.C. Much of the work required few skills. Many residents applied for jobs, reports Deidre Williams of Kenilworth/Parkside Resident Management Corporation, but "not one of them was hired for a construction job as a consequence of the Davis-Bacon Act's requirements. None received training. This was a tremendous waste of opportunity for our residents, who had to watch this huge project being staffed entirely by workers outside of the housing development."

The cumulative job losses are staggering. Economist Farrell Bloch, who prepared an analysis for Kenilworth/Parkside and the other plaintiffs, estimates that Davis-Bacon destroys 25,000 jobs in the construction industry every year.

If the law were merely unfair and irrational, the plaintiffs wouldn't stand a chance in court. But the plaintiffs have something more. Not only does Davis-Bacon have a profoundly adverse impact on minority companies and workers, that was precisely its *intent.* And proof of racial animus ratchets up the judicial scrutiny a law receives.

Davis-Bacon's sordid pedigree traces back to 1927, when an Alabama firm that employed low-cost black labor won a contract to build a post office in the Long Is-

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land congressional district of Rep. Robert Bacon. The spectacle of cheaper black laborers out-competing his unionized white constituents for jobs was too much for Bacon. He took aim at migrant black workers, about 750,000 of whom moved north in the 1920s looking for work. Because most unions excluded them, the main competitive weapon blacks possessed was to offer themselves to employers as hard workers willing to work for less than union wages.

Davis sought to eliminate this competitive edge. His first two legislative efforts failed, but in 1931—with the Depression raging and a public-works spending spree waiting to be divvied up—he finally succeeded. The law had an immediate and enduring impact: Although the black unemployment rate in the construction industry was the same as for whites when the law was passed, it immediately grew larger and has remained so ever since. If the court finds that Congress would not have passed the law absent racial animus, the government will have to prove the law is narrowly tailored to a compelling government interest—a nearly impossible burden of proof.

The stakes are enormous: Davis-Bacon applies to fully one-fourth of all construction work in the United States. Its impact is multiplied by many similar laws at the state level, and by 70 other federal statutes that incorporate Davis-Bacon requirements.

The unions flex their muscle even when only minor deviations from Davis-Bacon occur. In 1992, for instance, President George Bush suspended the law in hurricane-ravaged areas of Louisiana, Florida, and Hawaii, lowering costs of reconstruction and creating an estimated 5,000 to 11,000 new construction industry jobs. Rescinding Bush's suspension was one of Bill Clinton's first acts as President.

Nor have legislative attempts to reform or repeal the law borne fruit, even in a Republican Congress where a painless, multi-billion-dollar budget savings that would spur job creation ought to have appeal. As the *Washington Post* reported, "Davis-Bacon is considered sacred by the construction unions, and the effort to repeal it immediately mobilized labor on Capitol Hill." Gloated the AFL-CIO's Peggy Taylor, "The Republicans have accomplished almost nothing, and we feel we've played an important role in that."

Repealing Davis-Bacon could fit well into burgeoning GOP efforts to broaden its base—not by abandoning principles and embracing warmed-over social engineering schemes, but by extending the freedom philosophy to those who would most benefit: minorities and the poor. The crusade for economic liberty that lies at the heart of the lawsuit against Davis-Bacon unites minorities and conservatives in a non-traditional yet potent alliance. It builds upon basic values, such as enterprise and opportunity, that transcend the racial divide. Most minority members would trade in a heartbeat the patronizing bromide of affirmative action for a level economic playing field.

THE FIGHT AGAINST THE DAVIS-BACON ACT UNITES MINORITIES AND CONSERVATIVES IN A NON-TRADITIONAL YET POTENT ALLIANCE.

That prospect terrifies liberals, yet until recently it has escaped most conservatives, save such empowerment visionaries as Jack Kemp and Bob Woodson. Lately the banner has been unfurled in Congress by the likes of Reps. Jim Talent and J.C. Watts and Sen. Dan Coats, who are building economic liberty within the context of what I call "renewal communities" in the inner cities.

They'll likely find a receptive audience among many mainstream blacks who are tiring of big-government solutions. Take plaintiff Joe Ellis, a black self-made businessman who started a small concrete sawing company from scratch seven years ago with $34 in his pocket. Now he is forced by Davis-Bacon to pay $24 an hour even for the simplest tasks. The law has nearly destroyed his company, and he is down to a single employee.

During his deposition for the lawsuit, Ellis erupted at the government's lawyer: "That's my company. Why should somebody else come in and tell me how to pay my people, and what I have to do? Why? That's my company."

For Beth Aaron, who works for Willie Electric in Oakland and is also secretary of the Bay Area Minority Contractors Association, the issue has an even more urgent human dimension. Several years ago, the company was performing work at a San Francisco public housing development. A young black man came up to the company's president, Chris Albert, and asked for a job. Albert explained that Davis-Bacon required high prevailing wages, and he couldn't afford to take a chance on an unskilled person with no job history.

The young man came back two days later, offering to work for less money. "I won't tell the law," Aaron recalls him saying. "I mean, I'm a drug dealer, and I just want out of it. I want to make a better life for me and for my mom and for my little sisters and brothers. And I think you guys offer it to me." But Albert couldn't.

Aaron's eyes brim with tears as she finishes the story. "Two days later the young man was shot and died. Maybe we couldn't have prevented that. But maybe we could have."

I asked Aaron what she makes of the fact that most liberal politicians, like Jesse Jackson, defend Davis-Bacon. "If Jesse Jackson were to show up here," she angrily replied, "I would explain reality to him."

Clint Bolick is litigation director at the Institute for Justice, which represents the plaintiffs in Brazier Construction Co. *v.* Reich.

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Flashback

TO KNOW NOTHING OF WHAT HAPPENED BEFORE YOU WERE BORN IS TO REMAIN EVER A CHILD—*Cicero*

Social Security's Cassandra

James Wadsworth (second from left) with men in hats.

Hulton Deutsch Collection/Corbis

Nostradamus and Jeane Dixon have nothing on Senator James W. Wadsworth, Jr. After all, who couldn't predict the occasional earthquake or starlet divorce? Wadsworth, by contrast, saw from a distance of 60 years not only the current Social Security mess but also, in a vision more phantasmagoric than the wildest foretellings of a crazed seer, the bulges of the beast that would become the American Association of Retired Persons (AARP). It cannot have been a sweet dream.

Wadsworth had the pedigree to play the fop, but he did not. He was a scion of the westernmost of New York's feudal families. The first James Wadsworth of Geneseo, who became obscenely land-rich through the dubious Treaty of the Big Tree in 1797, was dubbed by the Senecas "killer of trees." A later James Wadsworth, a Union general, fell at the Battle of the Wilderness. Yet another was a colorful autocrat who fired a farm hand for daring to drive around Geneseo in a Model-T Ford. When his niece reproved him, the old man accused her of being "a goddam Bolshevik!"

The family went in for fox-hunting and all that, but James W. Wadsworth, Jr., somehow became a genuine statesman. He was elected to the U.S. Senate in 1914; two terms later, this man of honor sacrificed his Senate seat on the seldom-used altar of principle. For he had opposed, with vigor, both Prohibition and women's suffrage, and so the distaff teetotalers of the Empire State exacted their dry revenge in 1926 by voting for a splinter candidate sponsored by the Women's Christian Temperance Union. (The Senator's wife, the prepossessing Alice Hay, daughter of Lincoln's secretary, was the most prominent female foe of woman suffrage.)

In 1932, as a feckless aristocrat from the other end of the state was elected President, Wadsworth stepped down into the House of Representatives. (He would still be called "Senator": he hadn't been completely drained of hauteur.)

Wadsworth rallied the ragtag band of dispirited anti-New Deal Republicans and Jeffersonian Democrats into what became a constitutionalist opposition. They were steamrollered on the Social Security bill, which passed the House on April 19, 1935, by a vote of 372-33, and the Senate two months later by 77-6. Most of the dissenters argued on federalist grounds—the states, they claimed, would be better administrators of old-age pensions. But Wadsworth cut to the pith. Just before the bill's passage he told his Congressional colleagues:

"One other thing looking toward the future, Mr. Chairman. I know the appeal this bill has to every human being, that it appeals to the humane instincts of men and women everywhere. We will not deny, however, that it constitutes an immense, immense departure from the traditional functions of the Federal Government... pensioning the individual citizens of the several States. It launches the Federal Government into an immense undertaking which in the aggregate will reach dimensions none of us can really visualize and which in the last analysis, you will admit, affects millions and millions of individuals. Remember, once we pay pensions and supervise annuities, we cannot withdraw from the undertaking no matter how demoralizing and subversive it may become. Pensions and annuities are never abandoned; nor are they ever reduced. The recipients ever clamor for more. To gain their ends they organize politically. They may not constitute a majority of the electorate, but their power will be immense. On more than one occasion we have witnessed the political achievements of organized minorities. This bill opens the door and invites the entrance into the political field of a power so vast, so powerful as to threaten the integrity of our institutions and to pull the pillars of the temple down upon the heads of our descendants.

"We are taking a step here today which may well be fateful. I ask you to consider it, to reexamine the fundamental philosophy of this bill, to estimate the future and ask yourselves the questions, 'In what sort of country shall our grandchildren live? Shall it be a free country or one in which the citizen is a subject taught to depend upon government?'"

—*Bill Kauffman*

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BookTalk

A NOT SO CIVIL WAR

By Alan Pell Crawford

Emancipating Slaves, Enslaving Free Men: A History of the American Civil War
By Jeffrey Rogers Hummel;
Open Court, 421 pages, $39.95

Some years after the surrender at Appomattox, Confederate General D.H. Hill said that the infantry assaults at Malvern Hill and Gettysburg, while "grand," were "exactly the kind of grandeur which the South could not afford." The Civil War proved a glorious ordeal that the North could not afford, either, Hummel contends, and he presents his case persuasively and with some originality.

The Union's share of the war's appalling cost was itself "enough to buy all the slaves and set up each family with 40 acres and a mule," the economist and historian notes. Waging total war over the issue of slavery does not, in that light, seem a rational calculation, especially since Hummel argues that whatever else the conflict accomplished, it led to a "Yankee Leviathan" as oppressive, in its way, as the plantation itself.

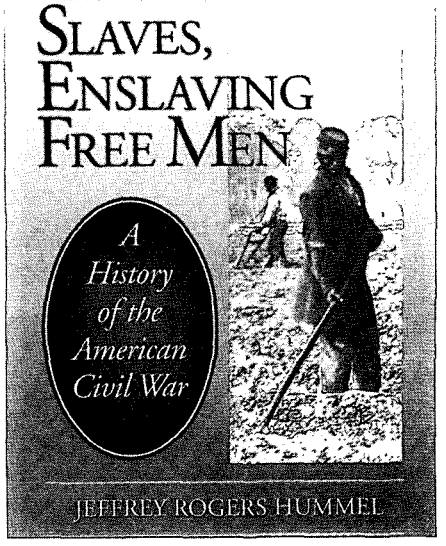
That claim seems a stretch, but this much is true: Wartime measures imposed by both Washington and Richmond whetted governmental appetites that remain unslaked to this day. The Civil War, more than Progressivism, the New Deal, or two world wars, was America's true turning point.

The plague of taxes, government, and agents and agencies that we now suffer under began then. Rights were abrogated, industries seized, and involuntary servitude enforced. Slavery was indeed ended, but abolition was "an unintended consequence" of the war, says Hummel. Freeing the slaves was, by Lincoln's own admission, a means to the end of saving the Union.

The damage inflicted on the South—from within as well as without—was incalculable. Slavery, secession, and war were worse than crimes, as the French say; they were blunders. Slavery was far costlier than most historians, concentrating on the efficiency of individual plantations, have reckoned. The "deadweight loss" at all levels of the Southern economy was enormous. And secession would have weakened the slaveholders' tenuous position even without war. Once the South was in rebellion, slaves could flee to the North without fear of being sent back to their masters under the Fugitive Slave Act.

A few far-sighted Southerners sensed that their countrymen were getting in over their heads, but not many. "The prudent and conservative men of the South," Louisiana Senator Judah P. Benjamin declared in 1860, "are not able to stem the wild torrent of passion which is carrying everything before it." This bloodymindedness could "no more be checked by human effort...than a prairie fire by a gardener's watering hose." The hotheads had their way, and the South paid the price for decades. The damage done to the Southern states, Hummel notes, was often self-imposed. The embargo on cotton, for example, "did more than the entire Union navy to halt Confederate exports" and cripple the country. During the war, Southern political leaders enforced policies more despotic in many ways than those of the Union against whose alleged tyranny they had rebelled.

To equip its armies, the South instituted "full-blown State socialism." This policy of "forced industrialization" built factories staffed by conscripted whites, including women. A North Carolinian serving in the Confederate Congress reported in 1865 that Southern cities were "alive" with bureaucrats, "thick as locusts." Soon enough, the Confederacy even had its own welfare state, with more than 37 percent of Alabama families on the dole.



The South was committing suicide, politically as well as economically. Virginia's Jefferson, though his record is ambiguous, had supported a plan for gradual emancipation and warned that, "on the issue of human slavery, justice cannot sleep forever." By 1836, Virginia made holding such opinions a felony. Little more than a quarter of a century later, its defeated and impoverished capital was in flames.

In August of 1787, George Mason, a slaveholder himself, warned his fellow delegates to the Constitutional Convention that slavery would some day "bring the judgment of heaven on a country," adding that "Providence punishes national sins by national calamities." Hummel in his thoughtful history reminds us just how great a calamity the Civil War was.

Alan Pell Crawford is senior counselor with Martin Public Relations.

I AM SOMEBODY—RIGHT?

By Ernest W. Lefever

The Life and Pilgrimage of Jesse Jackson
By Marshall Frady;
Random House, 552 pages, $28.50

Marshall Frady met Jesse Jackson in the mid-1960s, when he was covering "the mighty moral drama of the civil

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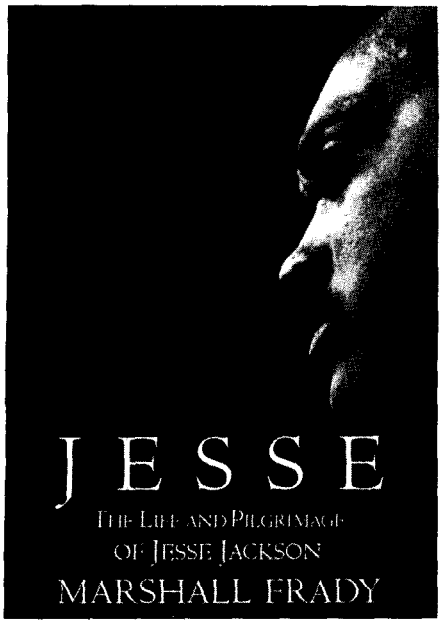


rights movement" for *Newsweek.* Frady, a Southern liberal, says the encounter was a "kind of existential Damascus Road experience, a season of super reality when good and evil seemed fever-bright, when breath and life somehow hit the bottom of the lungs in a way they never quite have since."

Overheated prose like this makes it difficult to discern in this often tedious book precisely what Frady thinks about the perplexing man who is his subject. Frady says that Jackson is "unfinished," in part because of character flaws ranging from egomania to lack of focus, but mainly because Jesse was born at the wrong time for his genius to flourish. The flood that propelled King to fame had subsided. The "primary disparity" between the two "may be simply that King had the terrible exaltation of a violent martyrdom" before disillusionment could set in.

Without the burden of a Damascus Road experience, I, too, have followed Jackson's pilgrimage, but from quite a different perspective. I threw myself into the civil rights movement years before it became popular, joining the NAACP, ACLU, and Urban League while a theological student during World War II. I worked with Bayard Rustin and Jim Farmer of the Committee on Racial Equality, and in Chicago took part in one of the nation's first sit-ins—12 years before Rosa Parks and Martin Luther King, Jr., joined the cause. I sat in the back of the bus with blacks in Virginia and violated Jim Crow railroad laws in Arkansas.

Against this backdrop, I discern a less complex and less consequential Jesse Jackson. In his early Chicago years as head of PUSH, the federally funded self-help effort, he deserved credit for urging ghetto kids to study and work hard. But before long, his considerable talents and commitment to justice were subverted by his messianic pretensions and self-promotion.

In many respects Jackson is a creation of the media, who are patsies for flamboyance and outrage. Focusing on the Jacksons and Farrakhans, the liberal press often overlooks the solid achievements of African-American leaders who reject victim status and quietly go about their work.

To his credit, after years of blaming the plight of inner-city blacks primarily on white discrimination, Jackson a few years ago identified black-on-black violence as a major problem: "We lose more lives annually to the crime of blacks killing blacks than the sum total of lynchings in the entire history of the country." He also admitted that when he hears footsteps behind him and fears robbery, he is relieved to find they are from "somebody white."

Any hope that this new honesty would herald a different Jesse was dashed when he castigated a New York official for calling the black gunman—who killed six whites and Asians on a Long Island train because of their race—an animal. Jackson said "animal" was racist and that the murderer was "sick." Jackson got it backwards: The killer was the racist—and evil to boot.

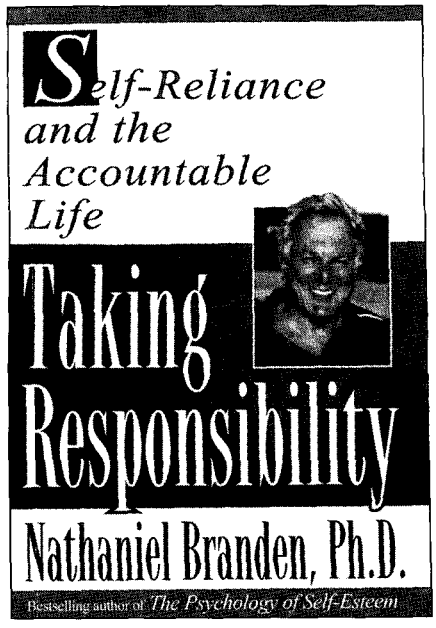
Preachers are supposed to know the difference between punishment for sin and the need for therapy.

Ernest W. Lefever is a senior fellow of the Ethics and Public Policy Center in Washington, D.C.

AMERICAN, HELP THYSELF

By Gwen J. Broude

Taking Responsibility: Self-Reliance and the Accountable Life
By Nathaniel Branden;
Simon and Schuster, 255 pages, $22



Veronica J. was fed up with the repeated infidelities of Stan, her lover of seven years, but had never seriously challenged his behavior. "Everything would be so wonderful," she mused, "if he would only change." Mark R., a 24-year-old college graduate, had always had a passion for philosophy, but was being pressured to join his father's business. Afraid that he would become estranged from his family if he went off to graduate school, Mark was unable to decide what to do with his life. At 34 years of age, Derek L. was still being supported by his mother because he couldn't earn a living as a rock guitarist. Asked how he felt about placing this kind of burden on his Mom, he responded: "I feel terrible. But what do you want me to do? Get an ordinary job? Give up my dreams?"

These people and the many others who make cameo appearances in Nathaniel Branden's *Taking Responsibility* are familiar characters. In them, we recognize people we know, or ourselves. Each of these characters, Branden argues persuasively, commits some version of the same disastrous psychological error—they fail to take responsibility for their own lives. As a result, none of them is happy.

Branden's book revolves around the premise that "our life and well-being are our own responsibility." Our first choice is whether or not to take the responsibility of being conscious, that is, of seeing things as they are. The CEO who just hopes business will somehow get better instead of paying attention to evidence that his policies no longer work is not be-

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ing conscious. The husband who is busy preparing his own defense instead of listening to his wife and attempting to understand her grievance is not taking responsibility for being conscious.

Branden argues that because "everything that makes us distinctly human...is a product of the ability to think," to fail to think is to choose to live off the effort of other people's minds and to be the producer of nothing of one's own. Reality becomes what other people say it is, and who I am becomes what other people say I am. The result is a life lived second-hand, and a life of this sort cannot produce happiness. By contrast, the self-responsible person chooses to face reality squarely.

Take George T., a 23-year-old African-American psychology student whose lawyer had, some years ago, won him an acquittal from a burglary charge by arguing that George was the victim of a bad environment and racial discrimination. Ever since the acquittal, George had felt humiliated, but he did not know why until he happened to attend one of Branden's lectures. "Today I got it...got what's been eating me for the past six years," he told Branden. "I don't like—I've always hated—being identified as a victim. It's demeaning. You're not a human being, you're a victim of society. I want to say: I knew what I was doing—I chose to do it—I could have chosen otherwise—other guys chose not to steal and loot—I am responsible." Understanding this allowed him to reclaim his dignity.

While *Taking Responsibility* emphasizes personal behavior, the book also has important political implications. "In taking responsibility for our own existence, we implicitly recognize that other human beings are not our servants and do not exist for the satisfaction of our needs." In contrast, "the message of our welfare system is that we are not responsible for our lives and well-being. The message of our legal system is that we are not responsible for our actions.... The message of our political leaders throughout most of this century is that if they are elected, ways can be found to transfer the burden of our needs and our mistakes to someone else."

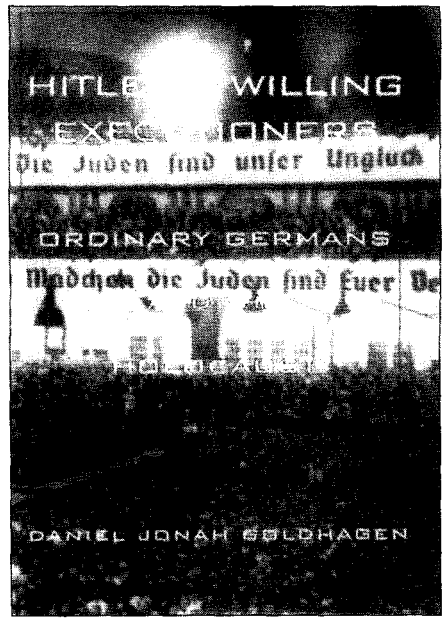
The political section of the book is oddly strident compared to Branden's graceful defense of self-responsibility as a personal virtue. Nevertheless, he does a wonderful job of making his philosophical case. And because he depends heavily upon vignettes from his clients and acquaintances as well as from his own life, he manages to make the philosophical personal. Even if you are familiar with the philosophical tradition within which Branden is working, *Taking Responsibility* will cause you to look at yourself and those around you with sharper sight. If Branden's view is new to you, this book may just change your life.

Gwen J. Broude is professor of psychology and cognitive science at Vassar College.

IS EVIL A GERMAN TRAIT?

By Paul Gottfried

Hitler's Willing Executioners: Ordinary Germans and the Holocaust
By Daniel Jonah Goldhagen;
Alfred A. Knopf, 622 pages, $30



Daniel Goldhagen has acquired a following that includes journalist A.M. Rosenthal, Harvard associates Simon Schama, Sidney Verba, and Stanley Hoffmann, and other celebrities who have welcomed his accusations that most Germans enthusiastically endorsed the Holocaust and that Christianity paved the way for this disaster. Goldhagen's thesis includes such controversial assertions as, "Anti-Semitism has been a more or less permanent feature of the Western world. Without doubt it is the all-time leading form of prejudice and hatred in Christian countries." And "European anti-Semitism is a corollary of Christianity." Furthermore, "the cognitive model of Nazi anti-Semitism had taken shape well before the Nazis came to power, and this model throughout the nineteenth and twentieth centuries was also extremely widespread in all social classes and sectors of German society, for it was deeply embedded in German cultural and political life and conversation, as well as integrated into the moral structure of society."

All of these claims are exaggerations, as Richard John Neuhaus easily demonstrated in a probing review of the book in *First Things*. In some parts of Christian Europe anti-Semitism has been marginal or non-existent: for example, Scandinavia, Holland, Serbia, Ireland, and Belgium. Some Christian churches emphatically opposed the Nazi persecution of Jews, including the Lutheran in Denmark and Norway, the Orthodox in Serbia and Bulgaria, and Calvinist congregations in most of Nazi-occupied Europe. Goldhagen's statements about anti-Semitism being an unchanging focal point of prejudice in Christian countries is wildly overstated. In most Protestant countries anti-Catholic feelings have been far stronger than anti-Semitism, with the United States, England, and Sweden being obvious cases in point. And even among peoples with deep-seated anti-Jewish feelings, prejudice against non-Jewish minorities has often been as intense as anti-Semitism: In inter-war Poland, for example, German Lutherans and Ukrainian Orthodox were as much distrusted as the Jews. Moreover, the Nazi leadership planned to enslave and possibly exterminate the Catholic Poles once they had finished with the Polish Jews. Goldhagen also insists that anti-Semitism in inter-war Germany had nothing to do with Jewish behavior. But the disproportionately large role played by Jews in communist movements in Eastern and Central Europe did arouse considerable alarm, a situation well described by such historians as Richard Pipes and the late Annie Kriegel. Though most Jews were not Marxist revolutionaries, those who were created a fear of Jewish subver-

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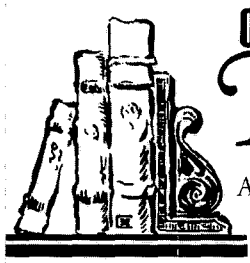
sion that the Nazis exploited.

Like others searching for Nazism's roots, Goldhagen is bothered that nineteenth-century German liberals like Wilhelm von Dohm and others hoped to liberate ghetto Jews by absorbing them into their own bourgeois Protestant civilization. Yet as Arthur Hertzberg has shown in a book about Jews and the French Enlightenment, the apostles of modernity and those they intended to emancipate often disliked each other thoroughly. Not only German liberals but French rationalists hoped to "free" Jews from a tribalism that not all of them wanted to abandon.

Goldhagen repeatedly makes two questionable assertions: that most Germans rejoiced over the destruction of European Jewry and that the *Einsatzgruppen* who carried out most of this killing were "Germans first and SS men, policemen, or camp guards second." There are of course differing views, but Goldhagen ignores them. Historian Peter Merkl, for example, concludes after extended interviews with former Nazi Party officials that anti-Semitism had little to do with why most of them served Hitler. Merkl's interviewees seem to be moral dwarfs, and only a minority, typically in the SS, hold strong opinions against Jews. There are also histories, the best of them by Sarah Gordon, on the thousands of Germans who risked their lives to save Jewish neighbors. Gordon shows that among this group most were devout Christians. My own aunt benefitted from encounters with just such people during her flight from Austria and Germany in 1943. Presumably the Germans she dealt with were all exceptions to Goldhagen's rule.

Goldhagen summarily rejects the ideas that most Germans in the early 1940s did not know of the mass murder of Jews and that those who did were afraid to intervene. He gives the impression that Nazi Germany floated along on popular enthusiasm without needing to practice terror against its own subjects. His description of the attacks on Jewish lives and property during *Kristallnacht* exaggerates the popularity of this vicious pogrom undertaken by the SS. Contrary to Goldhagen's statements, outspokenly anti-Nazi (and anti-German) witnesses such as William Shirer and Howard K. Smith observed that most Germans were stunned by Nazi vandalism during *Kristallnacht.* These witnesses believed the brutality was partly intended to frighten Germans into submission. Goldhagen may not consider such testimony because it does not suit his incriminatory purpose.

One of the few strengths of this book is the lack of a bibliography. With one it would have been longer.



off The Shelf

A REGULAR REVIEW OF CLASSIC, OVER-LOOKED, NEWLY RELEVANT, OR OTHERWISE DESERVING OLDER BOOKS

GRAIN OF TRUTH

By Nick Gillespie

In the American Grain
By William Carlos Williams; 1925

In the years after World War I, American society underwent dramatic changes. According to the 1920 census, for the first time more Americans lived in cities and towns than in rural settings. New York City's population swelled to 5.5 million, and over a dozen cities had over 600,000 inhabitants. A general rise in wealth obscured and challenged long-standing class distinctions, and a host of new (or newly affordable) consumer products such as movies, radios, tabloid newspapers, and automobiles contributed to a growing cosmopolitanism. The "American Century" had begun in earnest.

Not coincidentally, Americans became increasingly obsessed with defining who and what they were. Even as the country came into its own in business and industry, it suffered an identity crisis. Between 1901 and 1920, over 14 million immigrants arrived, largely from Southern and Central Europe. (Blacks migrated, too, especially to northern cities: During the '20s, New York's and Chicago's black populations doubled.) Prior to 1890, by contrast, about 80 percent of immigrants hailed from Northern Europe.

The American WASP establishment, historian Geoffrey Perret notes, reacted to such demographic changes with "a sense of being cornered within their own country." Respected "scientists" William C. McDougall and Carl C. Brigham asserted in 1923 that "the intellectual superiority of our Nordic group over the Alpine, Mediterranean and negro groups has been demonstrated." The *New York Times* fretted that the country was being "mongrelized." Nativist sentiments culminated in the Johnson-Reed Act of 1924, which established country-of-origin quotas to keep out Italians, Jews, and others. To paraphrase a popular slogan of the times, America had been kept safe for Americans.

This is the backdrop for the literary *tour de force* by William Carlos Williams, *In the American Grain.* Appearing in 1925, Williams's book is an amalgam of historical documents, speculative fiction, and contemplative essays. Through 21 chapters, he explores what it means to be American—and expands notions of who fits the bill. He writes about some predictable characters—the Pilgrims, George Washington, Daniel Boone, Abe Lincoln—but casts them in unfamiliar lights.

Williams also reconfigures the American experience to include the history of Indian, French, and Spanish America. (Critic Yvor Winters deemed "The Destruction of Tenochtitlan," which wavers between the viewpoints of Cortez and Montezuma, "superior in all likelihood to nearly any other prose of our time and to most of the verse.") And he presents such "foreigners" as Ponce de León, Champlain, and Jacataqua, "Sachem of the Indians of Swan Island," as fully in the American grain.

For its artistic achievement alone, the book is well worth reading. But contemporary debates over immigration and citizenship give it an additional relevance. For at the close of the American Century, defining what and who is truly "American" has hardly become easier.

Nick Gillespie is a senior editor of Reason. *He recently completed a doctoral dissertation on American literature.*

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the Digest

SUMMARIES OF IMPORTANT NEW RESEARCH FROM THE NATION'S UNIVERSITIES, THINK TANKS, AND INVESTIGATIVE PUBLICATIONS

POLITICS

"Reinventing" Government Employment

George Nesterczuk, "Reviewing the National Performance Review," in Regulation *(Number 3, 1996), Cato Institute, 1000 Massachusetts Avenue N.W., Washington, D.C. 20001.*

When Bill Clinton ran for President in 1992, he pledged to create "a government that works better and costs less." Nesterczuk, majority staff director for the House Civil Service Subcommittee, argues that while fewer people work for the federal government now than four years ago, the size and power of the federal government have not been reduced.

Between fiscal year '92 and fiscal year '96, federal employment dropped by 9 percent: The number of Pentagon employees fell by 16 percent, but civilian federal employment by only 4 percent. The administration says it is "in the process of eliminating more than 2,000 unnecessary field offices," but in congressional testimony, Office of Management and Budget personnel could not name a single field office that has closed.

The upshot is that while the federal work force is the smallest since the Kennedy era, that's only because the Pentagon employs 350,000 fewer people. It "would be a challenging but eminently commendable goal," says Nesterczuk, for the president to release a similar number of nondefense bureaucrats.

The FEC vs. Free Speech

Steven Hayward and Allison R. Hayward, "Gagging on Political Reform," in Reason *(October 1996), 3415 South Sepulveda Boulevard, #400, Los Angeles, California 90034.*

The Federal Election Commission created in 1974 does much to suppress political discussion in this country, according to Steven Hayward of the Pacific Research Institute and election attorney Allison R. Hayward. "Political expression, which the framers of the First Amendment clearly intended to be the most protected kind of speech, is in fact today the *least* protected," they write.

In *Buckley* v. *Valeo* (1976), the Supreme Court limited the FEC's regulatory scope, saying the commission only had power to oversee groups that "expressly advocated" support of a political candidate by using such words as "vote for," "elect," "defeat," or "cast your ballot for." Ever since, the agency has tried to expand its powers to cover all kinds of political speech, despite periodic rebukes from the courts.

The FEC has also expanded its reach into cyberspace. The authors observe that if you spend more than $250 building a "Vote for Bob Dole" Web site and don't tell the FEC, you could face heavy fines or jail, even if you have no contact with the Dole campaign. CompuServe wanted to give Web sites to any presidential candidate who did not have one, but decided not to do so after the FEC declared that the gift would be an illegal "in-kind" campaign contribution.

FEC regulations, the Haywards argue, have done little to stop influence peddlers but have severely restricted the rights of Americans to talk about politics. The best way to keep elections clean, they say, is sunlight: Require strict and immediate disclosure of all contributions, and let the public decide which politicians are too beholden to special interests.

Tomorrow's Wars

A.J. Bacevich, "Morality and High Technology," in The National Interest *(Fall 1996), 1112 16th Street N.W., #540, Washington, D.C. 20036.*

Our decisive victory in the Gulf War, many observers contend, indicates that the United States will dominate battlefields for decades. Bacevich, of the Nitze School of Advanced International Studies, disagrees. The constantly changing nature of war, he says, could change things rather quickly.

Bacevich argues that U.S. military clout today is best compared to the British Navy's dominance prior to 1914. Britain had a mighty fleet of ships, yet when World War I began, Britain's military was reluctant to use them. Worse, the British Navy was also unable to counter Germany's new submarines.

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U.S. strategists, argues Bacevich, are as overconfident now as their British predecessors were then. American forces have been ineffectual against guerrilla forces and terrorists. And it's possible the Gulf War was not a harbinger of future conflicts but rather the final chapter of "a superannuated mode of warfare that is giving way to something radically different." One possibility is "virtual wars" in which computer hackers seek to disable or destroy a foe's computer networks.

We shouldn't assume our foes are willing to fight wars in ways that favor U.S. victory. Assuming that technological superiority means we cannot be threatened, he suggests, is "a recipe for disaster."

ECONOMICS

Grandpa Spends Too Much

Jagadeesh Gokhale, Laurence J. Kotlikoff, and John Sabelhaus, "Understanding the Postwar Decline in U.S. Saving: A Cohort Analysis," in Brookings Papers on Economic Activity *(No. 1, 1996), 1775 Massachusetts Avenue N.W., Washington, D.C. 20036.*

Most economists agree that America's falling savings rate is a major problem. In 1950, Americans saved 12 percent of their income; by 1994, they were only saving 3.5 percent.

Many economists blame young people for lacking habits of thrift. But Gokhale of the Federal Reserve Bank of Cleveland, Kotlikoff of Boston University, and Sabelhaus of the Congressional Budget Office say the real culprits are old people who spend too much. Thanks to Social Security and Medicare, they argue, there has been "an uncontrolled intergenerational redistribution from young savers to old spenders."

The authors examine several U.S. databases and find that in the early 1960s, 14 percent of U.S. households were headed by someone 65 or older, and they consumed 10 percent of U.S. goods and services. By the late 1980s, elderly households were 16 percent of the population and consumed 18 percent of the national pie. The authors calculate that if the elderly restricted their spending in 1987 to the levels of 1960, Americans would have saved 47 percent more than they actually did.

Why are the elderly spending so much? Part of the answer lies in increased spending for health care. In the 1950s, Americans spent 4 percent of their income on health care; by 1993, 13 percent of their budgets went to doctors and hospitals. One reason for the steep rise is Medicare and Medicaid subsidies, which cause doctors to cost less (to patients) than in the past and so provide an incentive for senior citizens to spend more on health care.

Social Security also plays a part in why old people don't save, particularly as Social Security checks become increasingly generous. In 1960, the average American man in his seventies received $19,200 in government benefits during his life (measured in constant 1993 dollars). By 1990, a seventysomething man would receive nearly five times as much. Benefits for women increased even faster—more than six times over. With America's seniors now living heavily off government checks, they are less likely to build nest eggs or preserve existing savings.

If government continues to redistribute money from the young to the old, the authors calculate that America's saving rate will drop by half by 2000 and by another quarter by 2035. This "anemic rate of saving," they conclude, will ensure "anemic rates of domestic investment, labor productivity growth, and real wage growth."

Computers Conquer the World

Pam Woodall, "The Hitchhiker's Guide to Cybernomics," in The Economist *(September 28, 1996), 25 St. James's Street, London SW1A 1HG, England.*

Federal Reserve Board Chairman Alan Greenspan observes that the total mass of all the goods Americans manufactured in 1996 was roughly the same as the total turned out in 1896. But because lightweight microelectronics and other innovations have replaced so many earlier products, and because services are so much bigger a part of the economy, the value of U.S. production is 20 times higher than it was a century ago. Thanks to technological advances, notes Woodall, economics editor of *The Economist*, "today's average citizen enjoys a higher standard of living than a king did 200 years ago."

As the economy becomes more advanced, however, it becomes harder to measure. Statisticians can record the number of telephone calls, for instance, but cannot measure the gains represented by the successively faster speeds of faxes and modems. Nor do statistics reliably reflect better product quality or increased consumer choices.

The result, says Woodall, is that "official price indices overstate the rate of inflation, and hence underestimate growth." America's consumer price index often doesn't include a new product until years after it was introduced, ensuring that the index misses the anti-inflationary benefits of initial price drops. VCRs, for instance, didn't get included in the CPI until 1987, after the machines had already fallen from $1,000 to under $200.

Medical statistics are also misleading, since they record only what patients spend and don't record medical advances. Thirty years ago removing a cataract meant a week in the hospital. Today the operation can be performed in one day without a hospital stay. One economist calculates that the failure of statisticians to include new or improved products or services has meant that since 1974 the U.S. inflation rate has been overstated by an annual rate of 2 to 3 percent. New technology has actually checked inflation, and thereby advanced economic stability.

While technology will eliminate some jobs, it will create new ones. Woodall believes that job-destruction today has been distorted by journalists, who overstate the losses at large firms and ignore the far larger number of jobs created by smaller businesses.

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In the knowledge-based economy of the future, Woodall argues, America has a number of decisive advantages. Our telecommunications markets are open, flexible, and relentlessly innovative. Americans have rapidly adopted computers (37 percent of U.S. homes have a computer, compared to 28 percent in Germany and 15 percent in Japan). As of 1996, 24 out of every 1,000 Americans could use the Internet, compared to five of every 1,000 Europeans and two out of every 1,000 Japanese.

"Europe now has a clear choice," Woodall concludes. "It can cower within its more sheltered and rigid markets as the technological juggernaut speeds by, or it can jump on board and embark on a journey of discovery."

SOCIETY

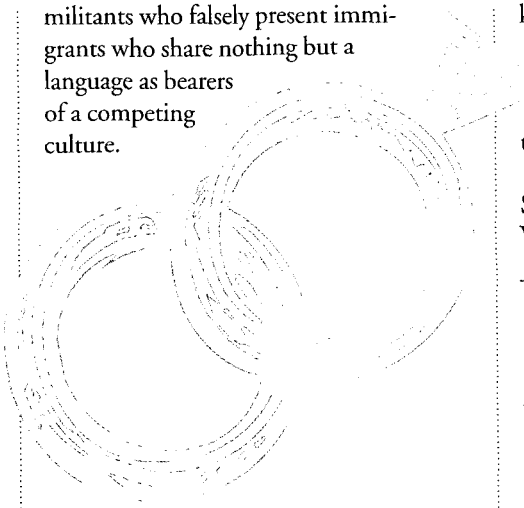
Will Hispanics Take Over North America?

Mark Falcoff, "North of the Border," in Times Literary Supplement *(May 17, 1996), 66-68 East Smithfield, London E19X4, England.*

Spanish-speaking Americans are growing in number. About 14 million U.S. residents speak Spanish as their first language today, and perhaps an additional 14 million speak Spanish to their parents or grandparents. But American Enterprise Institute scholar Falcoff says this does not warrant "Hispanophobia."

"Hispanic Americans" include expatriate Spanish grandees, former Cuban plantation owners, Puerto Ricans, Argentines, and Mexican farm workers. It is hard to see how a group whose members vary so widely in background can band together as a political bloc. Nor is it clear what such a bloc's agenda would be, since the goal of most Hispanic Americans is not linguistic or cultural separatism but economic and social success.

English-speaking Americans, Falcoff argues, should accept that for the foreseeable future Spanish will be our "most widely spoken second language." They should realize that pride in one's ancestry is an admirable trait. And they should ignore loud but unrepresentative "Hispanic" militants who falsely present immigrants who share nothing but a language as bearers of a competing culture.



To Get Off Welfare, Get Married

Douglas J. Besharov with Timothy S. Sullivan, "Welfare Reform and Marriage," in The Public Interest *(Fall 1996), 1112 16th Street N.W., #530, Washington, D.C. 20036.*

Welfare reformers commonly look to work as the primary way to get single mothers off the dole. Besharov of the American Enterprise Institute repeats the point of many earlier scholars that the most important "antipoverty mechanism" is marriage. Government statistics make the case: In 1994, single mothers with children had an average per capita income of nearly $15,000, and half of them had incomes below the poverty line. By contrast, married couples with children had average incomes of over $47,000, and only 8 percent of these households had incomes below the poverty line. One-third of all single mothers—but only 4 percent of married couples—received means-tested government subsidies (including welfare and food stamps) over a recent two-year period of study. Even poor married mothers do better financially than single mothers.

Unfortunately, welfare programs discourage marriage. According to Eugene Steuerle of the Urban Institute, if a single mother with two children marries a man with a minimum-wage job, the income of the new family will be nearly $4,000 less than if the couple did not marry and the woman continued to collect welfare checks.

The best way to reduce or eliminate the marriage penalty, Besharov argues, is the kind of welfare reform enacted by Congress in 1996, including time limits and work requirements. By making welfare less attractive, such measures could substantially increase welfare exits due to marriage.

Social Workers Resist Welfare Reform

James L. Payne, "Absence of Judgment," in Policy Review *(November/December 1996), Heritage Foundation, 214 Massachusetts Avenue N.E., Washington, D.C. 20002.*

If millions of Americans are to be freed from welfare, it's important that the nation's social workers not stand in the way, argues James Payne of the Heritage Foundation.

There are 600,000 social workers in the U.S., and universities award about 11,000 additional bachelor's degrees and 13,000 master's degrees in social work each year. Social workers are organized into two influential professional associations: the American Public Welfare Association and the National Association of Social Workers.

Social workers are mostly Democrats; delegates at the 1996 NASW convention, for example, endorsed the Clinton-Gore ticket by a vote of 168 to 6. In addition, the three members of Congress with master's degrees in social work—Maryland Sen. Barbara Mikulski, California Rep. Ron Dellums, and New York Rep. Edolphus Towns—are well-known liberal Democrats.

But more important than their politics, says Payne, is the fact that most of the ideas social workers have about the poor are wrong. Most argue, for example, that poverty is primarily caused by a lack of money or available jobs. But the dynamic American economy has scores of opportunities for destitute Americans willing to work hard. Moreover, by concentrating on money as the source of poverty, social workers underplay the moral and spiritual problems (such as drug use and illegitimacy) that drag Americans down the social ladder. And by assuming that the only salvation for the poor is cash, social workers miss opportunities for poor people to solve their spiritual problems and lead better lives.

"Social workers may occasionally pay lip service to welfare reform," Payne

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writes, but only "if it leads to greater spending." In 1994, for example, the NASW voted at its convention to condemn converting federal welfare programs into block grants unless the states vowed not to reduce benefits. The APWA opposes any effort to impose time limits on benefits for welfare recipients, even if they are drug or alcohol abusers.

Social workers could block welfare reform in several ways. They may absolve welfare recipients from being responsible, as in Ingham County, Michigan, where social workers recently exempted 85 percent of the welfare-receiving unwed teen mothers in the county from moving in with their parents as the law requires, on the grounds that such a move would jeopardize their "emotional and physical well-being." Social workers may also steer sympathetic reporters to recipients who can be portrayed as pitiful victims in an effort to undo welfare reform.

"Modern social workers may mean well," says Payne, "but they have absorbed a deficient approach to social assistance policy." He urges them not to resist change, but to help their clients lead new, productive lives.

SCIENCE AND ENVIRONMENT

Wolf Stories

Charles E. Kay, Wolf Recovery, Political Ecology, and Endangered Species. *Independent Institute, 134 Ninety-eighth Avenue, Oakland, California 94603.*

The U.S. Fish and Wildlife Service is planning to spend as much as $12 million in reintroducing the wolf into western Montana and northern Idaho. This, says Kay, a wildlife ecologist, is "a bad idea whose time has apparently come."

There's no evidence that wolves were ever common in the Yellowstone basin. Kay studied the journals of 20 expeditions that spent 765 days in the Yellowstone ecosystem between 1835 and 1876. These explorers reported seeing or hearing wolves three times, and even then, could have been hearing coyotes, often mistaken as the same species. When National Park Service rangers conducted a program of wolf eradication between 1914 and 1926, they killed a total of 56 adult wolves.

Though the federal government says it plans to release 300 wolves into the region, Kay believes that an additional 1,700 wolves will eventually be necessary to allow enough genetic variation for the species to thrive. Since the wolf is currently an endangered species that cannot legally be killed, he predicts the wolves will eventually overhunt elk, bighorn sheep, moose, bison, and cattle, as they have in Canadian parks ever since rangers there stopped controlling wolves in 1970.

Wolves also kill cattle, and the federal and state governments do not compensate ranchers for these losses. Defenders of Wildlife, an environmental group, has established a $100,000 fund to pay ranchers for cattle deaths, but Kay contends that the amount they pay is far less than the actual cost of replacing an animal.

Kay believes the reintroduction of the wolf is a stalking horse for a broader effort. "Environmentalists are using wolf recovery and the Endangered Species Act to run ranchers out of the country and to thwart multiple use of public lands," he writes. "It is also a way for animal rights and anti-hunting groups to ban all hunting and use of wildlife."

OTHER COUNTRIES

South America Discovers Free Trade

Michael Reid, "MERCOSUR: The End of the Beginning," in The Economist *(October 12, 1996), 25 St. James's Street, London SW1A 1HG, England.*

Twenty years ago, South America was an economic backwater, its nations primarily military dictatorships, and its economies ruined by decades of protectionism, nationalized industry, hyperinflation, and debt. But today most South American nations are democracies, and their economies are far stronger.

Reid of *The Economist* attributes much of this to MERCOSUR, a free-trade alliance launched in 1991 by Brazil, Paraguay, Uruguay, and Argentina. (Chile became an associate member in 1994.) MERCOSUR, Reid reports, "is the world's most ambitious scheme of regional integration since the birth of the European Economic Community."

The four MERCOSUR members agreed to steadily lower and, by 2000, eliminate tariffs on most products. Already, increased trade among member states—from $4 billion in 1990 to $14.5 billion in 1995—has spurred economic growth. Per capita income in these countries is now 30 percent higher than the Latin American average.

The requirement that a MERCOSUR nation must be democratic has also helped prevent the return of dictatorship. In April 1996, renegade generals attempted to oust the Paraguayan president but failed after MERCOSUR foreign ministers warned the plotters that a military regime would be economically and diplomatically isolated.

But much work remains to be done. There has been little effort to deregulate inspections or other non-tariff trade barriers. And decades of nationalism have left South American countries with few frontier crossings. Three-quarters of all the trade between Brazil and Argentina, for example, must pass through one bridge on the Uruguay River, causing massive delays. Ninety percent of the trucks that travel between Argentina and Chile use one road that winds through the Andes and climbs over a 10,000-foot-high pass frequently blocked by snow in the winter. Investors, however, are alleviating this problem; a privately funded bridge is being built over the Uruguay River, and the newly privatized Argentine railway is building new transnational lines.

It's too early to tell whether MERCOSUR will evolve into a transnational government like the European Union or into an international tribunal, similar to the World Trade Organization, for settling disputes between member states. Reid urges South America's leaders to choose the latter course and reject efforts to create either a regional parliament or European Union-style funds that transfer income from rich regions to poor ones.

Simply by lowering trade barriers, says Reid, MERCOSUR will increase prosperity and strengthen democracy.

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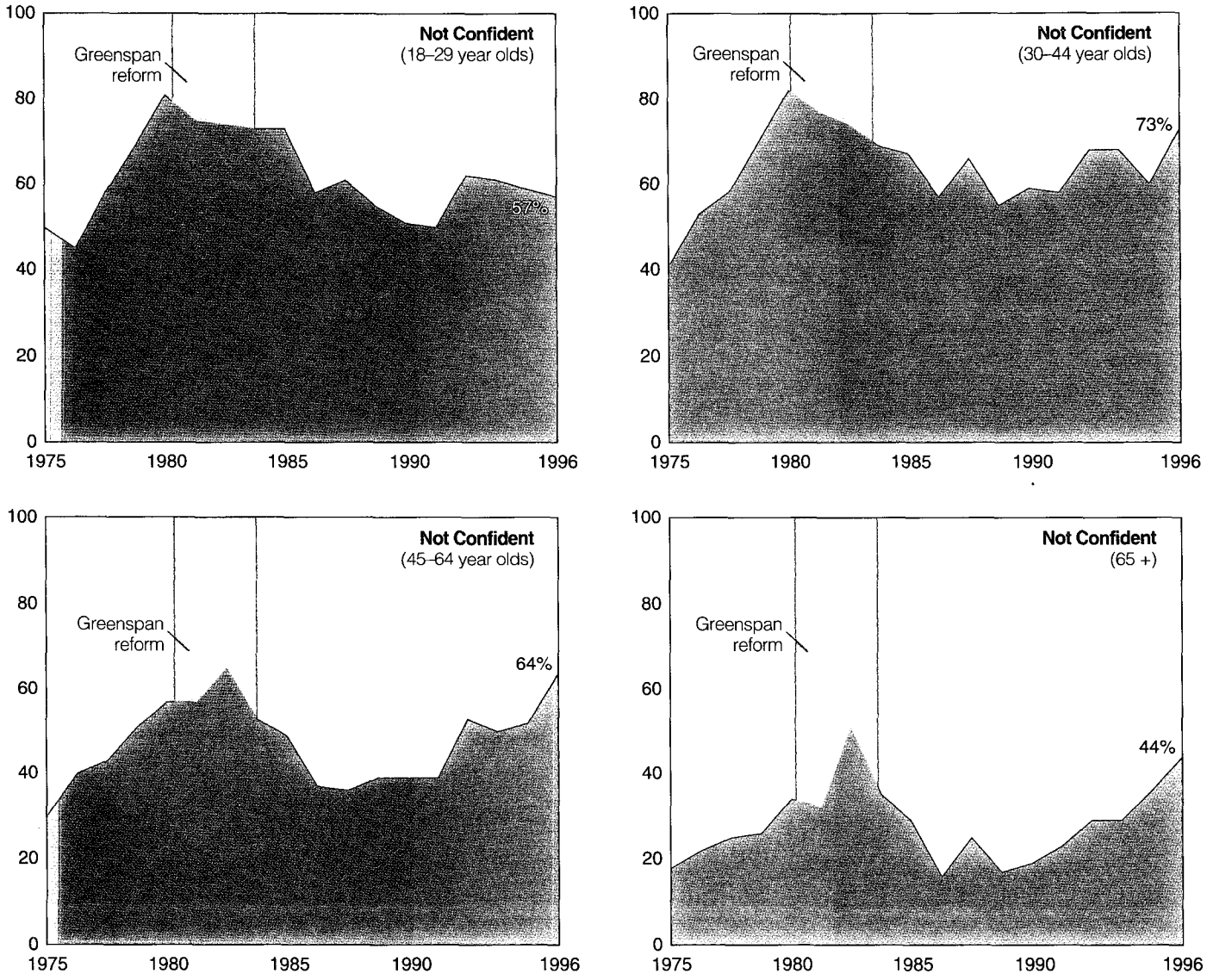
Opinion Pulse

EDITED BY KARLYN BOWMAN

SOCIAL SECURITY INSECURITY

For two decades, the American Council of Life Insurance has asked people about their confidence in the future of the Social Security system. We chart below the percentages of different age groups who lack confidence. The surge of unease among all age groups in the early 1980s (shaded strip on each chart) was triggered by the bankruptcy scare, staved off, temporarily, by the 1983 Greenspan Commission reforms. For most of the past twenty years, majorities of the youngest age group have lacked confidence in the system's future. Today, majorities of 30–44 and 45–64 year olds feel that way, too.

Question: **How confident are you, yourself, in the future of the Social Security System?**



Source: Survey by the American Council of Life Insurance, latest that of 1996.

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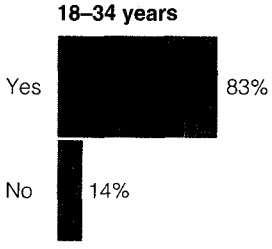
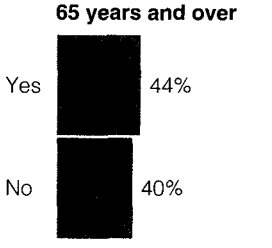
MISGIVINGS ABOUT THE SOCIAL SECURITY

Over 80 percent of 18-34 year olds believe that the government has made financial promises to their generation that it won't keep, and 87 percent believe that the Social Security system will not have money available to provide for their retirement. Old and young have different perspectives on the fairness, safety, and security of the system, but neither group expresses much confidence about these aspects of today's Social Security system.

Question: **Do you feel...?**

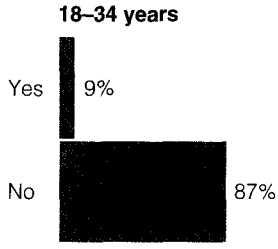
The government has made financial promises to your generation that it will not be able to keep

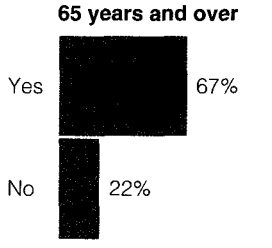




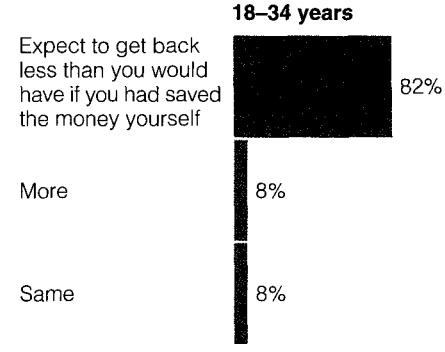
Question: **Do you think...?**

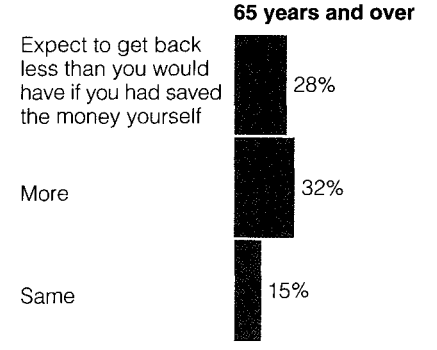
The Social Security system will have the money available to provide the benefits you expect for your retirement





Question: **Considering all your contributions to Social Security, do you...?**

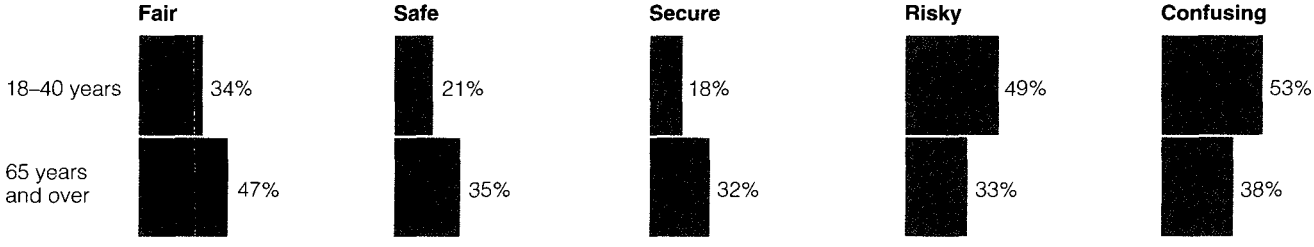




Source: Survey by Luntz Research Companies and Mark A. Siegel and Associates for The Third Millenium, September 8–10, 1994.

Question: **Thinking more about Social Security...how well do each of the following words describe the current Social Security system...?**

Describes the current Social Security system extremely well or well



Source: Survey by Public Opinion Strategies for the Cato Institute Project on Social Security Privatization, June 12–16, 1996.

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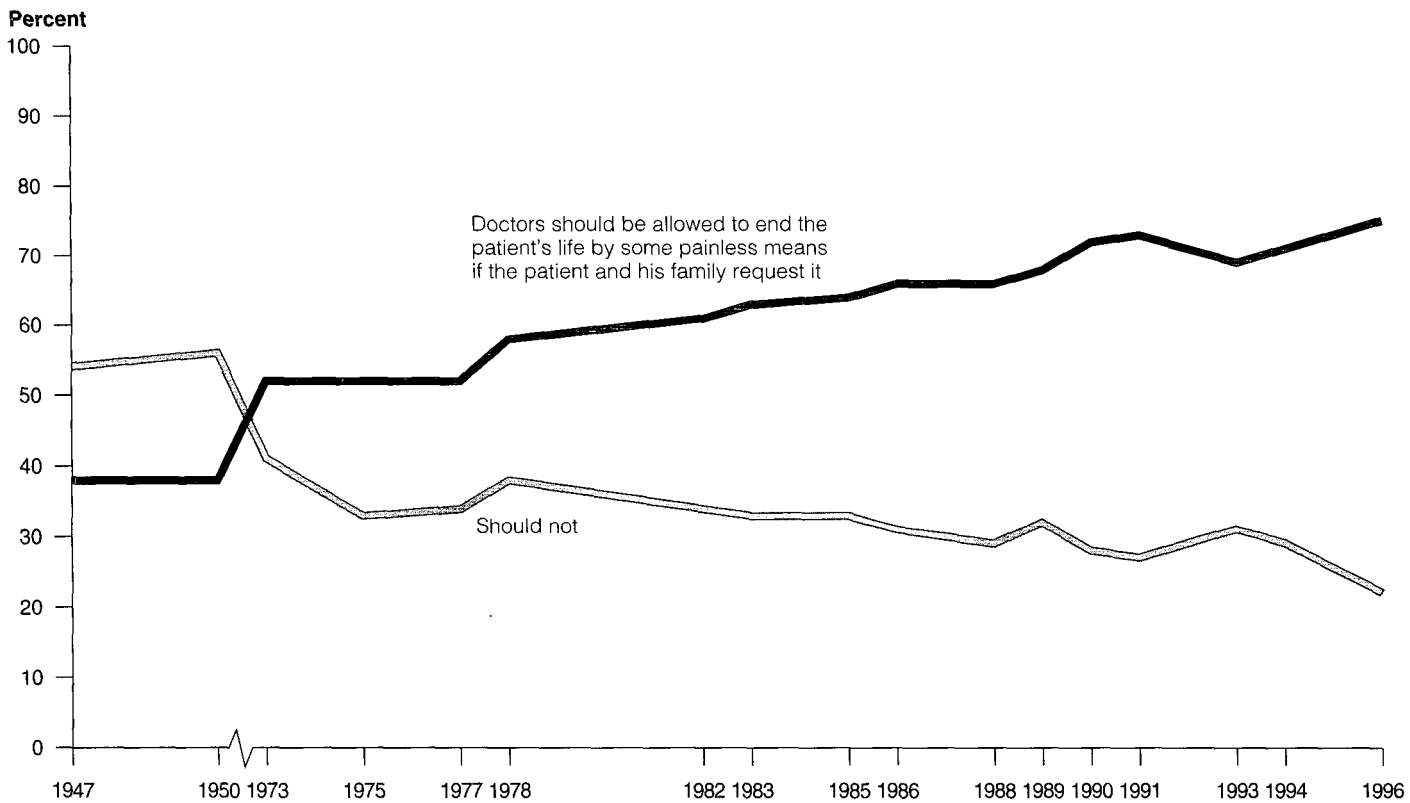
PHYSICIAN-ASSISTED SUICIDE

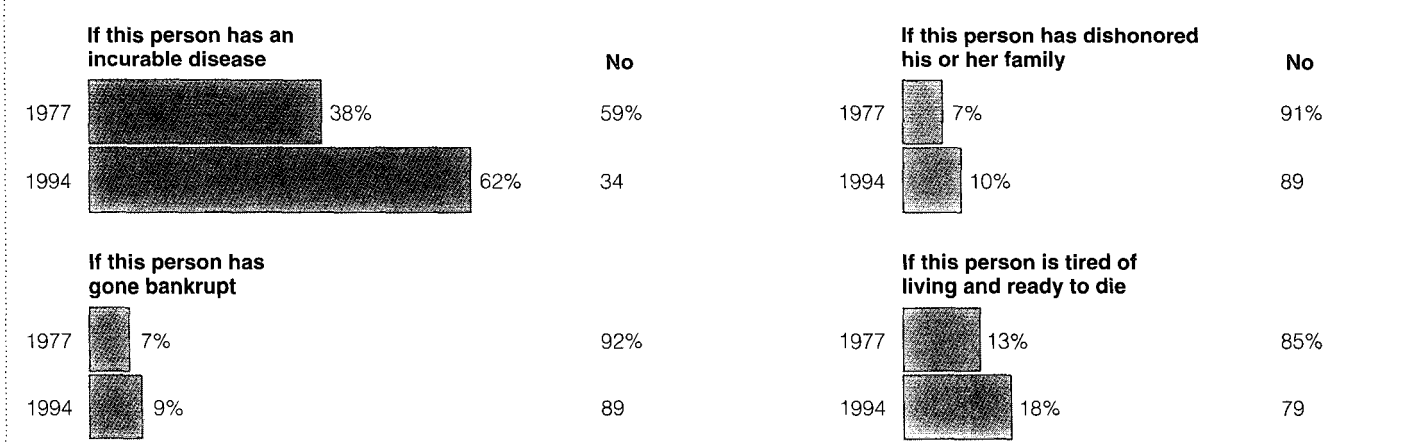
This session, the Supreme Court will consider the constitutionality of laws in Washington and New York states that ban physician-assisted suicide. Pollsters began asking Americans about this 50 years ago, though the question does not make a distinction between forgoing life-sustaining treatment and actively providing drugs to end life. In 1947, majorities opposed assisted suicide; today, strong majorities support it. Majorities also believe suicide is acceptable when a person has an incurable disease.

Question: **When a person has a disease that cannot be cured, do you think...?**



Source: Surveys by the National Opinion Research Center, 1947–1994; by the Gallup Organization for CNN and *USA TODAY*, April 9–10, 1996.

Question: **Do you think a person has the right to end his or her own life...?**



Source: Surveys by the National Opinion Research Center, latest that of February–April, 1994.

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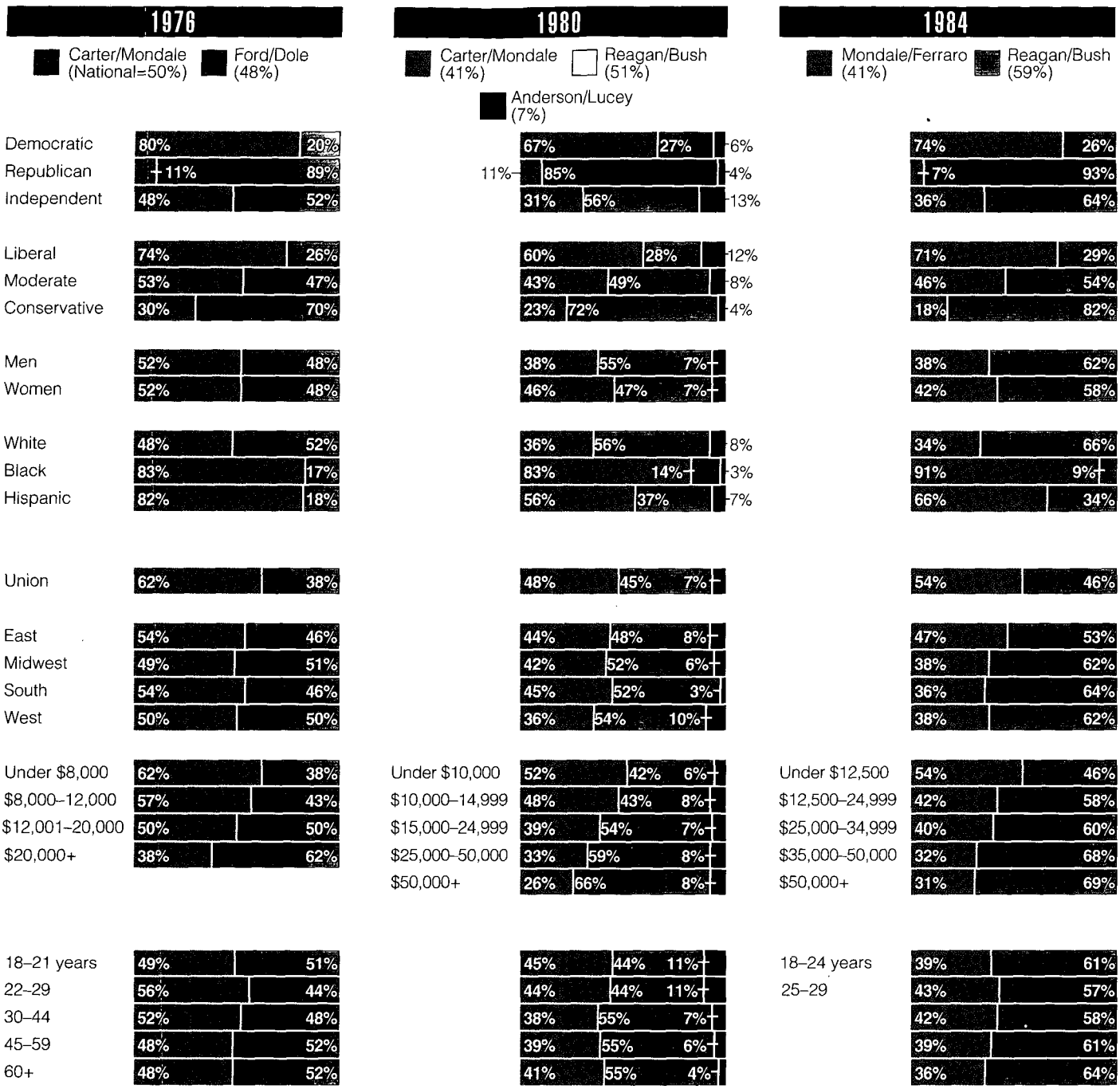
ELECTION '96

The voter exit polls shown below enable us to look at how the preferences of many different groups have changed over time. Bill Clinton increased his support among moderates in1996, a group that represents nearly half of the electorate. A majority of women pulled the lever for Clinton and men split their votes, confirming a persistent gender split in our politics. Asians picked Dole over Clinton, but blacks and Hispanics decisively supported the president. Whites divided their votes.



Note: Sample=15,199 voters as they left voting booths.
Source: Survey by CBS News/*New York Times*, November 2, 1976.

Note: Sample=12,782 voters as they left voting booths.
Source: Survey by CBS News/*New York Times*, November 4,1980.

Note: Sample=8,671 voters as they left voting booths. The survey was not conducted in the states of Washington, Alaska or Hawaii.
Source: Survey by CBS News/*New York Times*, November 6, 1984.

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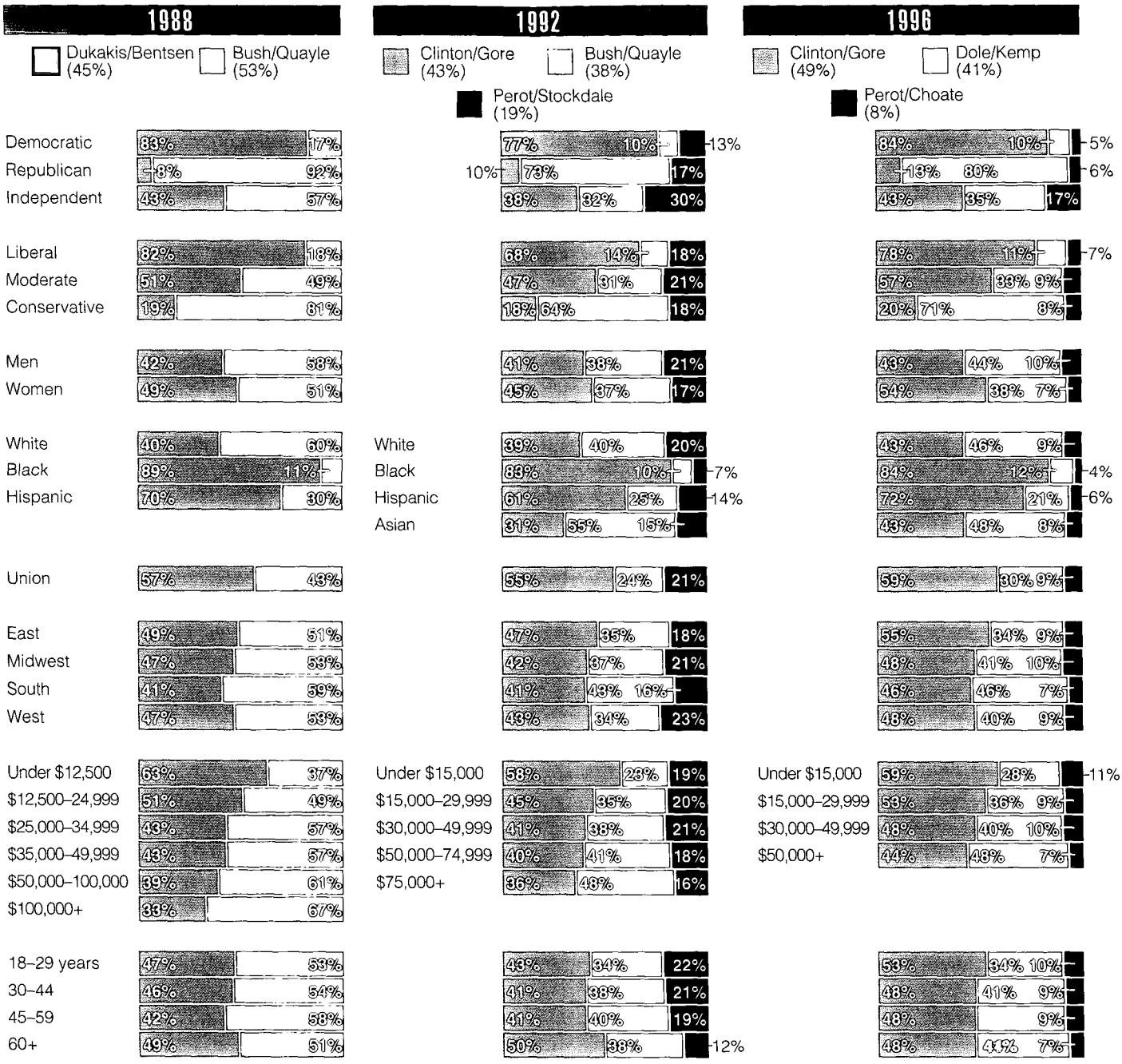
Southerners, who voted for Ronald Reagan and George Bush twice, split their votes in 1996 between Clinton and Dole. The East, and particularly the Northeast, has become a bastion of Democratic support. Despite all the talk about Medicare "cuts," Bill Clinton did no better nationally among those 60 years and over than he did four years ago. The youngest age group supported him strongly.



Note: Sample=11,645 voters as they left voting booths.
Source: Survey by CBS News/*New York Times*, November 8, 1988.

Note: Sample=15,490 voters as they left voting booths.
Source: Survey conducted November 3, 1992 by Voter Research & Surveys, a consortium of ABC News, CBS News, CNN and NBC News.

Note: Sample=16,627 voters as they left voting booths.
Source: Survey by Voter News Service, the consortium of CNN, CBS, NBC, ABC, Fox, and the Associated Press, November 5, 1996.

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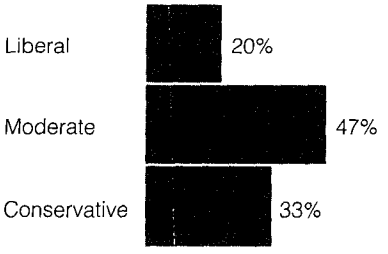
Voters' Views

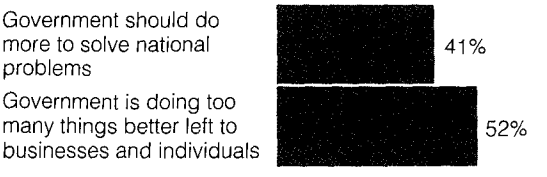
Most voters in 1996 called themselves moderates, but as in the past, conservatives outnumbered liberals. Sixteen percent of voters identified themselves with the Religious Right. Most of them voted for Dole, but a quarter supported Clinton. Opinions about Hillary Rodham Clinton were split. Negative views of Newt Gingrich outweighed favorable ones. A majority of voters said they were concerned or scared about what the President will do in the second term. Sixty percent said he hasn't told the truth about Whitewater, including 56 percent of those in his home state of Arkansas.

Question: **On most political matters do you consider yourself...?**



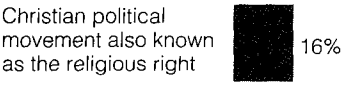
78% of liberals, 57% of moderates, and 20% of conservatives voted for Bill Clinton.

Question: **Which comes closer to your view...?**



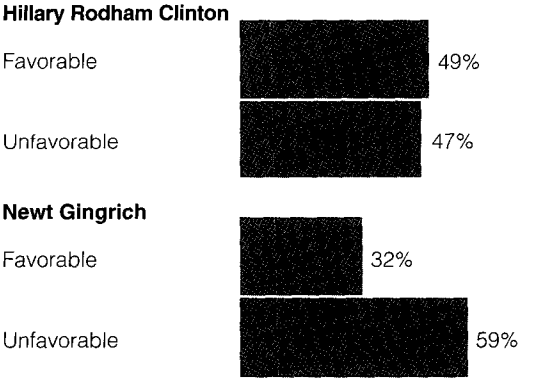
Of those who voted for Clinton, 61% percent said government should do more. 20% of Dole voters gave that response as did 35% of Perot voters.

Question: **Do you consider yourself part of the...?**

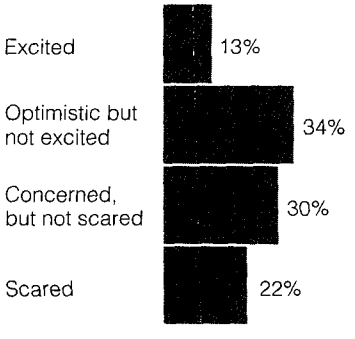


26% of this group voted for Bill Clinton, 66% for Bob Dole, and 8% for Ross Perot.

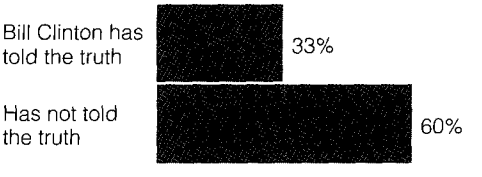
Question: **Is your opinion of...favorable or unfavorable?**



Question: **If Bill Clinton wins today, what best describes your feelings about what he will do in his second term?**



Question: **In explaining Whitewater and other matters under investigation...**



In his home state of Arkansas 37% said he had told the truth, 56% said he had not.

Source: Survey of 16,627 voters as they left the polls by Voter News Service, the consortium of CNN, CBS, NBC, ABC, Fox, and the Associated Press, November 5, 1996.

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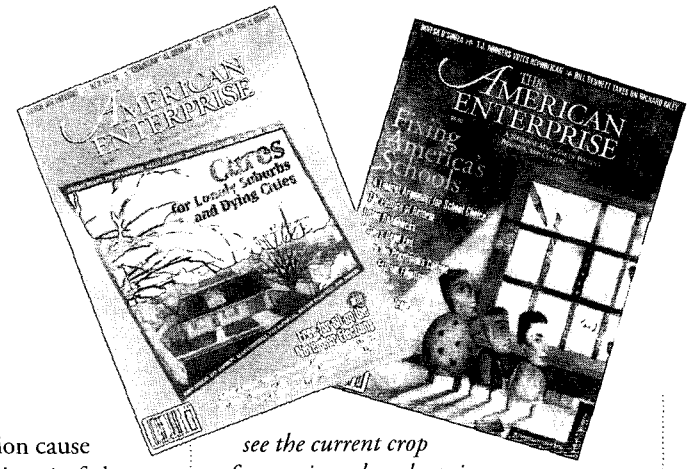
the Mail



In "Runaway College Tuition" (Sept./Oct.) Ralph Reiland wrote that "tenured professors now spend an average of ten hours a week in the classroom for 30 weeks a year—that's $200 per class hour—plus pensions and benefits." But he neglects to note that many of these professors conduct cutting-edge research. They may only spend ten hours a week in the classroom, but spend 40-plus hours a week advancing their own knowledge. Tenured professors contribute significantly to society by advancing knowledge and training our youth.

Professors' salaries have increased disproportionately over the years, but this seems something of an epidemic stretching beyond academia. *USA Today* reported that over the last 15 years salaries for the top 20 percent of Americans have increased substantially, while the lowest 20 percent of wage-earners suffered a pay cut. These data are quite consistent with the increase in salaries of business executives. Greed *is* a widespread problem.

Reiland also asserts that in the business world, higher prices generally correlate with higher quality, but that is not the case in academia, which suffers from watered-down courses and grade inflation. True, grade inflation exists, but not all the classes are necessarily becoming easier.

Reiland also writes that increased subsidies foster tuition hikes. Of course, on the surface, this does not make much sense. After all, if government funding is increased, tuition should go down. He fails to explain this process satisfactorily. How do higher subsidies shield colleges from the normal forces of the marketplace? As a student, I pick the college with the best value. Is there something preventing me from doing this? In what way could affordable tuition cause the colleges to forfeit millions in federal money?

I agree that stipulating a *B* average for federal scholarships is a poor idea. It would certainly lead to grade inflation and watered-down courses, thus lowering the quality of education. But when did President Clinton suggest this?

Ward Drennan
Bloomington, Indiana

Ralph Reiland replies:

I agree that "many professors conduct cutting-edge research." But many don't. Too often, teaching is given a back seat because professors are forced to publish to meet tenure requirements, even if their research does little to advance society's knowledge. The result is an endless stack of academic journals that serve mainly to enhance library collections.

While saying that the disproportionate pay hikes of professors are consistent with the increase in salaries of business executives, Drennan asserts that "Greed is a widespread problem." First, looking at the poor economic performance and widespread human misery in radical egalitarian societies, isn't it too simplistic to assume that "greed" is a problem? Quite often, it sustains economic growth, full employment, rising living standards, and advances in society's knowledge. Second, in the business world, where compensation is generally more directly linked to performance than in academia, pay hikes may represent more fairness than greed. On campus, with tenure and across-the-board pay hikes, it may well be a different story.

Not "all" the classes are becoming easier; just too many. Drennan should read Peter Sacks's Generation X Goes to College, *to see the current crop of unmotivated students in dumbed-down classes who feel entitled to high grades.*

"If government funding is increased," Drennan maintains, "tuition should go down." But that isn't the way it's worked with tuition or medical costs. In both cases, an increased flow of public dollars flashed a green light for providers to raise prices. For example, I own Amels, a restaurant in Pittsburgh. If the government flooded my customers with "federal dining dollars," does Drennan predict that I'd drop my menu prices?

Finally, on September 25, President Clinton visited my college where I heard him propose universal "free" tuition (not free, of course, to taxpayers who will be picking up the tab) for the first two years of college, based on community college prices, if a student maintains a B average or better.

Many thanks for devoting most of your September/October issue to the thorny topic of fixing America's schools. In the '90s, government-dominated schooling is still financed along the lines of a '50s Albanian welfare program. Genuine privatization of the entire system is necessary: No government meddling and no government money. Or, in other words, American (Free) Enterprise in its classical liberal form.

John M. Simons
Sheffield, Vermont

Your September/October issue on education was excellent: comprehensive, illuminating, often trenchant. I would add only one thing to your list of school-decline culprits: Public school administrators, teachers, and professors of education love change. Career advancement

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depends upon introducing something new. Few innovations are evaluated objectively, but they all come with grant money and the opportunity to gull hopeful parents.

W. Dain Oliver
Newton Highlands, Massachusetts

In SCAN (Sept./Oct. 1996), Edward Ericson bemoans the inability of many of today's students to write in cursive. But with the exception of signature, why should schoolchildren be expected to learn cursive? When was the last time you picked up a book that was set in a script typeface? Cursive is fatiguing to read in large doses and difficult to read quickly; it's all too easy for cursive handwriting to degrade into illegibility as the writer ages or acquires bad writing habits. Even before the computer age, forms, shipping labels, and important paperwork demanded printing for legibility.

Like many other people with a non-academic job background, even though I learned cursive and write it well, I also learnt to eschew it in favor of a "fast manuscript"—printing leaning to the right with a few letter combinations connected. I can write much faster this way, and perhaps it is how we should teach kids to write. What's the point in teaching them a frilly method of writing to use only in personal letters and English courses?

Edwin Krampitz, Jr.
Drewryville, Virginia

Edward Ericson replies:
When I wrote my little thought-piece, my main fear was that readers would think I was imagining a problem that doesn't really exist. Krampitz's letter confirms that the taste for minimalism in what children are allowed to learn is all-too-alive and well, and I thank him. I am glad he learned cursive and, as best I can determine, continues to use a homemade variant. All I propose is that children today be given the same option, so that they can write class notes and essay exams (in all sorts of classes), thank-you notes to their grandmothers, jottings to themselves while flying on planes, and the signature on their last will and testament.

As a regular reader of your excellent magazine, I was troubled by a section in INDICATORS (Nov./Dec.) entitled "Who gets abortions?" It is factually wrong. It misunderstands some of the findings of a study by The Alan Guttmacher Institute (AGI), published in our peer-reviewed July/August '96 journal, *Family Planning Perspectives.* And it misrepresents our organization and the authorship of the study.

The article questions AGI's estimate that about half of American women will have an abortion by age 45, saying that "Basic math suggests that it is wrong." But it is the assumptions underlying the section's basic math that are incorrect. They ignore three important factors. Prior to the Supreme Court decisions in 1973, there had been a substantial number of illegal abortions. There had also begun to be a substantial number of legal abortions in the states that had already liberalized their laws. After 1973, it took the rest of the decade until abortions became relatively available in all areas of the country. Thus, for an extended period of time on which your calculations are based, abortion statistics were incomplete or unreliable.

We had previously estimated, based on 1982 data, that 46 percent of American women have an abortion by age 45. Rough calculations using more recent information indicate that this estimate is still reasonable. An article published by the National Center for Health Statistics indicates that, at 1991 rates, among a group of ten women there will be eight abortions in their life times. If 55 percent of these are first abortions, then 45 percent of all women will have an abortion before age 45. Calculating another way, in 1992 the 59 million women of reproductive age had 1,529,000 abortions, of which 841,000 were first abortions (55 percent). Thus, over the 30 years or so that women are of reproductive age, it can be expected that 841,000 multiplied by 30 will result in 25.2 million first abortions. The resulting figure of 43 percent of all women having an abortion during that period of time could be refined with more detailed age-specific calculations, but clearly our statement is not far off the mark.

The article also misrepresents The Alan Guttmacher Institute as "Planned Parenthood's research arm," and then attributes the study and its release to "Planned Parenthood." AGI is no one's research arm, and Planned Parenthood bears no responsibility for our study. We have been an independent entity since 1977, and Planned Parenthood's financial support constitutes only a small percentage of our annual budget: In fact it falls well below that of a number of national foundations, numerous community foundations and private donors or, for that matter, the National Institutes of Health and other federal agencies, none of which, no more than Planned Parenthood, controls our research agenda or influences our research findings.

Jeannie I. Rosoff
The Alan Guttmacher Institute

I read "Zoning Kills Community Life" (SCAN, Nov./Dec.) with stunned amusement. Apparently you never have been to either my hometown (beautiful, zoned Minneapolis) or my new city (ugly, no-zoning Houston). Perhaps the editors of TAE would care to live here for a few years, and bask in the urban "paradise" of build-whatever-the-heck-you-please-on-yer-land. You could savor the plummeting value of your house as the new warehouse is built down the block. You could enjoy sightseeing trips through patches of urban blight within a mile of your home—no matter where you lived. Finally, you could wait forever to get to the entrance to your two-story condo complex on the day of a big game at the Astrodome, which is across the street.

James M. Bjork
Houston, Texas

Your November/December issue on suburbs and cities is excellent. I live in a suburb and commute to New Orleans. It's a heartache that I can't live in one of the old city neighborhoods and walk to the store or the park and ride a bicycle or a street car to work. Everyone advised against our living in town. They told me not to put my children in a New Orleans school. There have been two young women shot by carjackers in the last few days in our city. This is a major frustration, because it's robbing my children's and grandchildren's future.

Lewis Bishop, Jr.
Slidell, Louisiana

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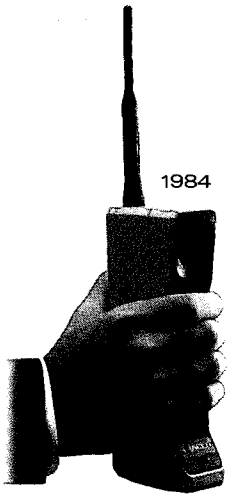
The people who introduced

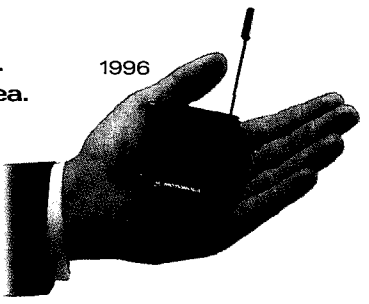
hand-held wireless communication,



and portable cellular communication,

and personal cellular communication,

had another little idea.



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